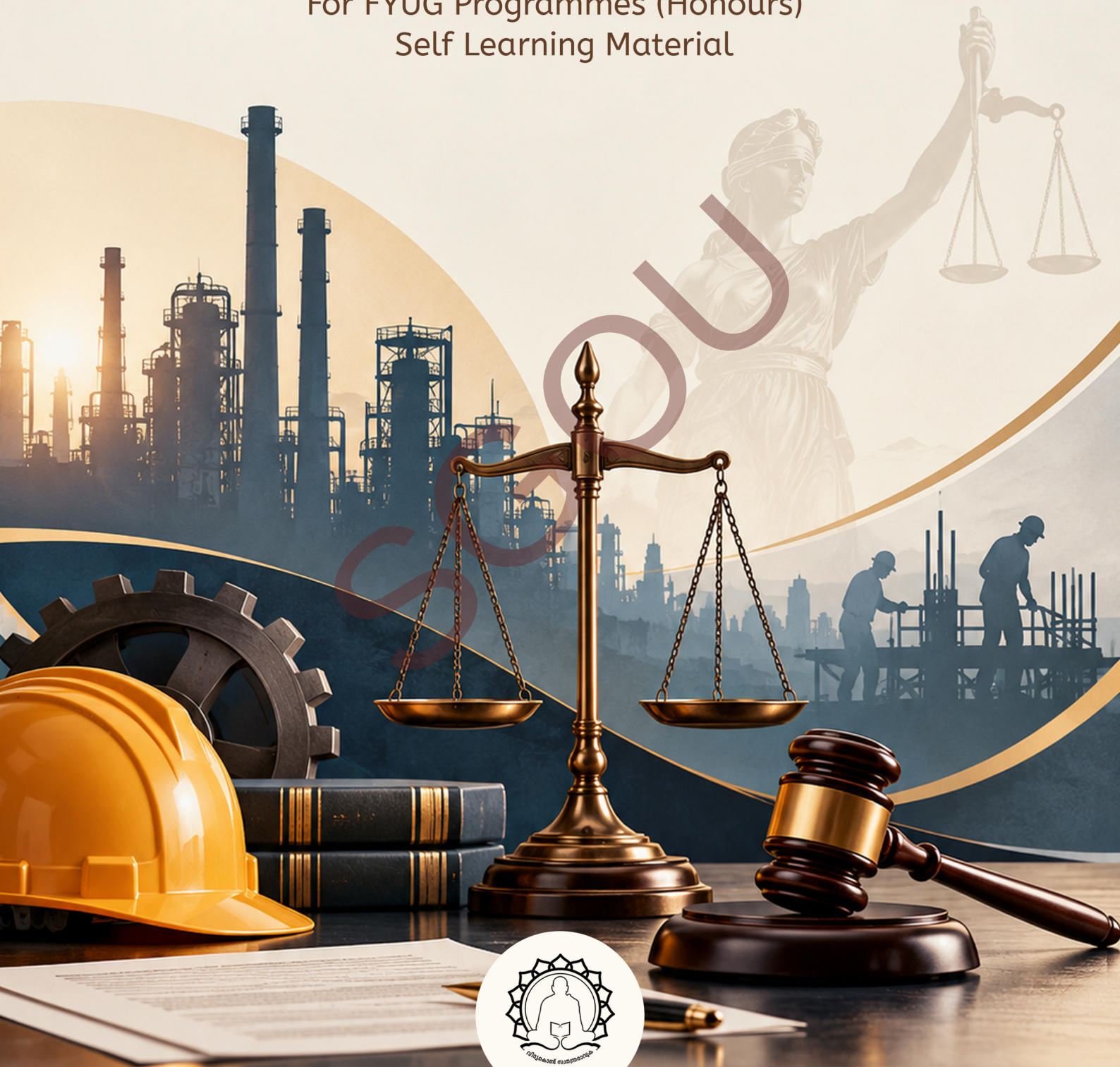


INDUSTRIAL AND LABOUR LAWS

COURSE CODE: SGB24LW201MI

Minor Course - Law and Business
For FYUG Programmes (Honours)
Self Learning Material



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The State University for Education, Training and Research in Blended Format, Kerala

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To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Industrial and Labour Laws

Course Code: SGB24LW201MI

Semester - V

**Minor Course - Law and Business
For FYUG Programmes (Honours)
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INDUSTRIAL AND LABOUR LAWS

Course Code: SGB24LW201MI

Semester- V

Minor Course- Law and Business

For FYUG Programmes (Honours)

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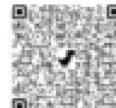
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Message from Vice Chancellor

Dear Learner,

It is with great pleasure that I welcome you to the Four Year UG Programme offered by Sreenarayanaguru Open University.

Established in September 2020, our university aims to provide high-quality higher education through open and distance learning. Our guiding principle, 'access and quality define equity', shapes our approach to education. We are committed to maintaining the highest standards in our academic offerings.

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The course Business and Corporate Laws is offered as a Minor course for BCOM and BBA (Honours). It is designed to provide learners with a foundational understanding of legal frameworks governing businesses and corporate entities. Covering key aspects such as contract law, company law, and regulatory compliance, the course equips learners with essential legal knowledge relevant to the corporate world. Minor courses offer valuable supplementary knowledge that complements your major field of study. These allied subjects broaden your academic perspective, enhance interdisciplinary understanding, and develop versatile skills. By exploring related disciplines, you gain a more comprehensive education, preparing you for diverse career opportunities and fostering well-rounded intellectual growth throughout your academic journey.

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Our learner support services are always available to address any concerns you may have during your time with us. We encourage you to reach out with any questions or feedback regarding the programme.

We wish you success in your academic journey with Sreenarayanaguru Open University.

Best regards,



Dr. Jagathy Raj V.P.
Vice Chancellor

01-10-2026

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BLOCK - 01



Introduction to Industrial and Labour Laws

Unit - 1

Constitution and Labour Laws



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the role of constitutional principles in Indian labour laws
- ◇ analyse the importance of labour legislation in promoting industrial peace and social justice
- ◇ explain the concept of equal pay for equal work and its constitutional basis
- ◇ identify the labour-related implications of Articles 19, 21, 23 and 24



Prerequisite

The evolution of labour laws in India is closely associated with the growth of industrialisation and the need to protect workers from unfair and unsafe employment conditions. During the early stages of industrial development, workers in textile mills, plantations and mines often faced long working hours, inadequate wages and unsafe workplaces. The absence of adequate legal protection frequently resulted in disputes, strikes and lockouts, affecting both workers and industrial productivity. The enactment of the Factories Act, 1881, marked an important early step towards regulating working conditions, particularly in factories. Later, legislations such as the Trade Unions Act, 1926 and the Payment of Wages Act, 1936, strengthened the legal framework by recognising trade union activities and providing safeguards relating to the timely and proper payment of wages. These developments reflected the gradual shift towards a more regulated relationship between employers and employees.

After independence, the Constitution of India provided a broader foundation for labour protection through Fundamental Rights and the Directive Principles of State Policy. More recently, several central labour laws have been consolidated into four Labour Codes dealing with wages, industrial relations and social security. The consolidation seeks to simplify and rationalise labour regulations while continuing to provide statutory protection to workers.



Keywords

Labour Laws, Fundamental Rights, Equality Before Law, Equal Pay, Article 14, Reservation, Public Employment, Human Dignity, Employment Rights



Discussion

1.1.1 Concept of Labour Laws

Work is an essential component of economic activity and social development, making the regulation of employment relationships an important responsibility of the legal system. The relationship between employers and employees involves matters such as wages, working hours, workplace conditions, safety, social security and the rights and responsibilities of both parties. Without an appropriate legal framework, differences in bargaining power may lead to unfair employment practices and exploitation. Labour laws therefore provide the necessary framework for establishing minimum standards of employment and ensuring fairness in the workplace.

Labour laws comprise the legal and regulatory provisions that govern the relationship between employers and employees. They establish standards for employment and seek to protect workers from unfair treatment and exploitation while promoting orderly industrial relations. These laws cover various aspects of employment, including wages, working hours, leave, workplace health and safety, social security and the settlement of industrial disputes.

The need for labour laws arose from the recognition that employment involves more than an economic exchange between an employer and an employee. Workers require fair treatment, dignity, security, and safe working conditions. With the transition from agrarian economies to industrial economies, the absence of effective regulation resulted in widespread problems such as excessively long working hours, low wages, child labour and unsafe working environments. These conditions highlighted the need for government intervention through legislation to establish minimum standards of employment and protect workers' interests.

1.1.2 Purpose of Labour Laws

1. Protection of Workers' Rights

Labour laws protect workers from exploitation, unfair treatment, discrimination and unsafe working conditions. They establish minimum standards relating to wages, working hours, workplace safety and other conditions of employment.



2. Regulation of Employment Conditions

Labour laws regulate the terms and conditions of employment to ensure that both employers and employees understand their rights and responsibilities. They cover areas such as working hours, wages and welfare facilities.

3. Promotion of Industrial Peace

Labour laws provide mechanisms for resolving disputes between employers and employees. By establishing procedures for negotiation and adjudication, they help reduce industrial conflicts and promote harmonious workplace relationships.

4. Promotion of Social Justice

Labour laws seek to create a fair balance between the interests of employers and employees. By establishing minimum employment standards and protecting vulnerable workers, they contribute to equality, dignity of work and social justice.

5. Ensuring Health and Safety at the Workplace

Another important purpose is to protect employees from workplace accidents, occupational diseases and unsafe working conditions. Labour legislation may require employers to provide appropriate safety measures, protective equipment, sanitation, ventilation, emergency arrangements and other welfare facilities. These provisions promote a workplace in which employees can perform their duties without unnecessary risks to their health and safety.

6. Supporting Productive Employment

A stable labour-law framework can contribute to an orderly working environment. When employees understand their rights and employers understand their legal responsibilities, uncertainty and conflict can be reduced. Fair employment practices, safe working conditions and stable industrial relations can support employee participation and organisational productivity.

1.1.3 Constitution and Labour Laws

i. Constitution as the Supreme Law

The Constitution of India is the supreme law of the land and provides the foundation for all legislation, including labour laws. It enshrines the principles of dignity, equality and social justice, which underpin the Labour Codes. Key provisions such as Article 14 (Equality before law), Article 16 (Equality of opportunity in public employment), Article 19(1)(c) (Right to form associations or unions, subject to reasonable restrictions), Article 21 (Right to life and personal liberty), Article 23 (Prohibition of forced labour), and Article 24 (Prohibition of child labour) form the constitutional bedrock of labour protections. The Labour Codes derive legitimacy from these principles, ensuring that workers are protected against discrimination, exploitation and unsafe conditions.

ii. Fundamental Rights and Their Impact on Labour Legislation

Fundamental Rights are basic rights guaranteed by the Constitution of India to protect the dignity, liberty and equality of individuals. They have significant implications for labour legislation because employment relationships involve important issues such as equality, freedom, dignity, fair treatment and protection from exploitation. Labour laws are therefore expected to operate within the constitutional framework and support the protection of workers' fundamental rights.

iii. Directive Principles of State Policy and Social Justice

The Directive Principles of State Policy are constitutional principles contained in Part IV of the Constitution of India, Articles 36 to 51. They provide guidelines to the State for making laws and policies aimed at establishing a just social and economic order. The Directive Principles are not enforceable by courts, but they are fundamental to the governance of the country.

iv. Judicial Activism and Constitutional Remedies

The Constitution of India establishes an important role for the judiciary in protecting constitutional rights and ensuring that laws and government actions conform to constitutional principles. In the field of labour law, judicial decisions have significantly contributed to the interpretation and enforcement of workers' rights. Judicial activism refers to an approach in which courts interpret constitutional and legal provisions in a manner that addresses emerging social concerns and strengthens the protection of rights, while constitutional remedies provide legal mechanisms through which individuals can approach courts when their constitutional rights are violated.

v. Integration of International Standards

Labour laws are not developed only within the domestic legal framework. International labour standards also influence the formulation, interpretation and implementation of labour policies and legislation. At the international level, the International Labour Organization (ILO) plays a central role in developing standards relating to workers' rights, employment, social protection, occupational safety and social dialogue.

For India, international labour standards provide important guidance while developing labour policies and legislation. However, international standards do not automatically become enforceable domestic law merely because they have been adopted internationally. Their implementation depends on India's constitutional framework, legislation, judicial interpretation and international commitments.

1.1.4 Fundamental Rights vis-à-vis Labour Laws

Fundamental Rights are the basic rights guaranteed by the Constitution of India to protect the dignity, liberty, equality and well-being of individuals. Contained in Part III of the Constitution under Articles 12 to 35, these rights provide an important constitutional foundation for labour laws by protecting individuals against discrimination, exploitation and arbitrary treatment and promoting equality, dignity and freedom.



The six broad categories of Fundamental Rights are Right to Equality (Articles 14–18), Right to Freedom (Articles 19–22), Right against Exploitation (Articles 23–24), Right to Freedom of Religion (Articles 25–28), Cultural and Educational Rights (Articles 29–30), and Right to Constitutional Remedies (Article 32).

Fundamental Rights influence labour legislation by establishing minimum constitutional standards that protect workers from unfair and exploitative employment practices. Labour legislation seeks to translate these constitutional principles into specific protections and obligations applicable to workplaces.

1.1.5 Equality Before Law

Equality before law is a fundamental constitutional principle in India. It means that every person is subject to the same law and is entitled to equal protection of the law. Article 14 of the Constitution of India guarantees equality before the law and equal protection of the laws. This principle is particularly important in employment because workers should not be treated unfairly or arbitrarily on the basis of irrelevant personal characteristics.

Equality before law means that no person is above the law and that individuals in similar circumstances should receive equal legal treatment. At the same time, equality does not require identical treatment in every situation. The law may make reasonable distinctions where there is a valid basis for treating different groups differently.

For example, providing special protections to certain categories of workers, such as maternity-related protections for women workers, does not necessarily violate equality because such provisions address specific circumstances.

Application in Labour Laws

The principle of equality is reflected in several areas of labour regulation:

1. **Equal Opportunity in Employment** : Article 16 provides equality of opportunity in matters of public employment. Government employers are therefore required to follow constitutional principles when making appointments and taking employment-related decisions.
2. **Equal Pay for Equal Work** : The principle that workers performing substantially similar work should not receive unequal remuneration without a valid basis is an important aspect of fairness in employment. The Constitution reflects this principle through Article 39(d) under the Directive Principles of State Policy.
3. **Protection against Discrimination** : Constitutional provisions restrict discrimination on specified grounds. Labour and employment regulations further support fair treatment of workers and prohibit discriminatory practices in areas covered by law.
4. **Protection of Vulnerable Workers** : Labour laws may provide additional protection to particular categories of workers, such as women, children and

certain vulnerable groups. Such provisions aim to promote substantive equality rather than merely identical treatment.

- 5. Fair Treatment at the Workplace :** Employers are expected to apply employment rules consistently and fairly. Arbitrary differences in treatment can raise issues of equality, particularly where constitutional or statutory protections apply. Suppose a company employs two workers who perform substantially the same duties, require similar skills and responsibilities, and work under similar conditions. If one worker is paid less solely because of gender, such unequal remuneration would conflict with the principle of equal pay for equal work.

1.1.6 Article 16 and Reservation Policies

Article 16 of the Constitution of India guarantees equality of opportunity in matters of public employment. It is an important constitutional provision for ensuring that eligible citizens have a fair opportunity to apply for and obtain employment under the State.

Article 16 provides that:

- ◇ There should be equality of opportunity for all citizens in matters relating to public employment.
- ◇ The State cannot discriminate against a person in public employment on specified grounds such as religion, race, caste, sex, descent, place of birth, or residence, subject to constitutional provisions.
- ◇ The Constitution permits certain forms of reservation and special provisions to promote adequate representation of disadvantaged groups in public employment.

Reservation Policies

Reservation is a constitutional mechanism intended to provide representation and opportunities to certain socially and educationally disadvantaged groups and other categories recognised under the Constitution and applicable laws.

For example, Article 16(4) permits the State to make provisions for the reservation of appointments or posts in favour of a backward class of citizens that, in the opinion of the State, is not adequately represented in the services under the State. The Constitution also contains specific provisions concerning reservation for Scheduled Castes (SCs) and Scheduled Tribes (STs) and other categories through subsequent constitutional provisions and amendments.

Reservation policies seek to:

1. Promote equality of opportunity.
2. Improve representation of disadvantaged groups in public services.
3. Address historical and social disadvantages.



4. Promote greater participation in public employment.
5. Support the constitutional objective of social justice.

1.1.7 Articles 19, 21, 23 and 24 and its Implications

Articles 19, 21, 23 and 24 of the Constitution of India have important implications for employment and labour relations. Together, they protect workers' freedom, dignity and freedom from exploitation, while also providing special protection to children.

1. Freedom to Form Associations or Unions

Article 19(1)(c) gives citizens the right to form associations or unions, subject to reasonable restrictions permitted by the Constitution.

This right has particular importance in labour relations because workers can organise collectively to represent their interests. Labour legislation provides the legal framework for the registration and functioning of trade unions and collective representation. The right is subject to reasonable restrictions permitted by the Constitution. Therefore, the right to form a union does not mean that every activity of a union is constitutionally protected without limitation. Article 19 provides a constitutional basis for workers' freedom to organise and participate in collective representation.

2. Protection of Life and Personal Liberty

Article 21 protects the right to life and personal liberty. The interpretation of Article 21 has developed to include the protection of human dignity and conditions necessary for a dignified life. In the labour context, this principle is relevant to humane working conditions, workplace dignity and protection of workers from practices that seriously undermine their basic rights. Employment should not be viewed merely as an economic relationship; workers are also entitled to dignity and basic protections consistent with law.

3. Prohibition of Forced Labour

Article 23 prohibits traffic in human beings, begar and other similar forms of forced labour. This provision has a direct relationship with labour laws because it protects workers from being compelled to work through coercion or exploitation. The Supreme Court has also interpreted the concept of forced labour broadly in appropriate circumstances, including situations involving payment below legally prescribed minimum wages. Employers cannot legally subject workers to forced labour or practices that fall within the prohibition under Article 23.

4. Prohibition of Child Labour in Hazardous Employment

Article 24 prohibits the employment of children below the age of fourteen years in factories, mines or other hazardous employment. This constitutional protection has influenced legislation relating to child labour. The objective is to protect children from hazardous and exploitative employment and safeguard their health, safety and development. Employers must comply with constitutional and statutory restrictions

relating to the employment of children and ensure that prohibited forms of child labour do not occur.

Fundamental Rights provide the constitutional foundation for protecting workers and regulating employment relationships. Articles 14, 15, 16, 19, 21, 23 and 24 are particularly significant in labour matters. Labour laws give practical effect to these constitutional principles by addressing issues such as equality, non-discrimination, freedom of association, workplace dignity, forced labour and child labour. In this way, Fundamental Rights and labour legislation work together to promote fairness, dignity and social justice in the workplace.

Fundamental Rights and labour laws are closely connected in protecting workers and promoting fairness in employment. While Fundamental Rights establish broad constitutional guarantees, labour laws translate many of these principles into specific rights, duties, standards, and procedures applicable to the workplace.

Table 1.1.1 Overall Implications for Labour

Article	Constitutional protection	Labour implication
Article 19(1)(c)	Right to form associations or unions	Supports workers' collective organisation
Article 21	Life and personal liberty	Supports dignity and humane conditions
Article 23	Protection against forced labour	Prohibits forced and exploitative labour practices
Article 24	Protection of children from hazardous employment	Restricts child employment in specified hazardous settings

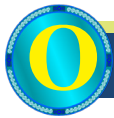


Recap

- ◇ Fundamental Rights establish important constitutional safeguards relevant to employment and labour relations.
- ◇ Labour laws give practical effect to several constitutional principles by regulating wages, working conditions, employment practices, and worker protection.
- ◇ Labour laws establish minimum standards for wages, working hours, leave, health, safety, dispute resolution, and social security in employment.
- ◇ Article 14 ensures equality before law and equal protection of laws.
- ◇ Equality in employment requires that similarly placed workers should not face arbitrary or unjustified discrimination.



- ◇ Article 16 guarantees equality of opportunity in matters of public employment.
- ◇ Article 39(d) reflects the principle of equal pay for equal work for men and women.
- ◇ Equal pay depends on the nature, skill, responsibility and working conditions of the work, rather than merely the job title.
- ◇ Article 19(1)(c) protects the right to form associations or unions, subject to reasonable constitutional restrictions.
- ◇ The right to form trade unions supports collective representation of workers.
- ◇ Article 21 protects life and personal liberty and has significance for human dignity and humane conditions of work.
- ◇ Article 24 prohibits the employment of children below 14 years in factories, mines, and other hazardous employment.
- ◇ Constitutional protections and labour laws together contribute to fairness, dignity, equality and protection from exploitation in the workplace.



Objective Questions

1. What do we call the basic rights guaranteed by the Constitution?
2. Which Article of the Constitution guarantees equality before law?
3. Which Article provides equality of opportunity in public employment?
4. Which Article prohibits the employment of children below 14 years in factories, mines and hazardous employment?
5. What do we call an organisation formed by workers to protect their common interests?
6. What is the collective process through which workers negotiate with employers?
7. What term refers to the unfair treatment of an employee based on an irrelevant personal characteristic?



Answers

1. Fundamental Rights
2. Article 14
3. Article 16
4. Article 24
5. Trade Union
6. Bargaining
7. Discrimination



Self - Assessment Questions

1. Discuss the relationship between Fundamental Rights and labour laws in India.
2. Discuss the principle of equal pay for equal work and its significance in labour relations.
3. Discuss the labour-related implications of Articles 19, 21, 23 and 24 of the Constitution of India.
4. Explain how constitutional provisions protect workers against discrimination, exploitation and unfair employment practices.
5. Discuss the constitutional safeguards available to workers for promoting equality and dignity at the workplace.



Assignments

1. Discuss the significance of Fundamental Rights in protecting the interests of workers in India.
2. Discuss the role of reservation policies in promoting equality of opportunity in public employment.
3. Examine how constitutional provisions relating to equality and protection from exploitation contribute to social justice in employment.





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Unit - 2

International Labour Organisation and Labour Standards



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ describe the structure and functioning of the ILO
- ◇ explain the concept of tripartism in the ILO
- ◇ gain insight on ILO conventions and recommendations
- ◇ analyse the major components of decent work



Prerequisite

Work has always been central to economic and social development, with people engaged in diverse occupations across agriculture, manufacturing, services and more recently, digital forms of employment. As employment expanded and labour markets became increasingly interconnected, differences in wages, working conditions, working hours, workplace safety and social protection emerged across countries. These developments highlighted the need for broader principles to promote fairness and humane conditions of work, while the growing cross-border nature of labour issues made international cooperation increasingly important.

Against this background, the International Labour Organization (ILO) was established in 1919 as an international institution concerned with social justice and the conditions of working people. Its distinctive tripartite character brought together governments, employers and workers within a common institutional framework. This provided a basis for addressing labour issues through consultation and cooperation among the principal participants in the world of work.

Over time, the scope of international labour cooperation expanded with changing patterns of employment and emerging challenges. The development of international labour standards consequently provided countries with a common framework for addressing these concerns while taking account of their own legal, economic and social circumstances.





Keywords

ILO, Tripartism, ILC, Governing Body, ILO Convention, ILO Recommendation, Social Dialogue, Decent Work



Discussion

1.2.1 International Labour Organisation (ILO)

The International Labour Organisation (ILO) was established in 1919 as part of the Treaty of Versailles, with the objective of promoting social justice and improving conditions of work. It became the first specialised international organisation concerned with labour and employment issues. Its establishment was founded on the principle that lasting peace can be achieved only when it is based on social justice. From its inception, the ILO recognised that fair and decent working conditions are closely connected with human dignity, workers' well-being, and social and economic development. This principle continues to form the basis of the ILO's work in promoting labour rights and decent work across countries.

1.2.1.1 Fundamental Principles

The International Labour Organisation (ILO) provides a global framework for protecting workers' rights and promoting social justice through internationally recognised labour standards. The Declaration of Philadelphia of 1944 reaffirmed the fundamental philosophy of the ILO by recognising that work should not be treated merely as a commodity and that social justice is essential for sustainable economic and social progress. It also emphasised the importance of freedom of expression and association and recognised that poverty in any part of the world can adversely affect prosperity elsewhere.

To translate these principles into internationally accepted standards, the ILO develops Conventions, Recommendations and other labour standards covering areas such as forced labour, child labour, freedom of association, occupational safety and health, wages, working time and social protection. ILO Conventions become legally binding on member states that ratify them, while Recommendations provide guidance for developing and strengthening national labour policies and legislation.

ILO standards therefore serve as an important international reference point for governments when framing, reviewing and reforming labour laws. However, the extent to which these standards are adopted and effectively implemented differs across countries because of differences in legal systems, institutional capacity, economic conditions and national priorities.

1.2.1.2 Contemporary Role of the ILO

The role of the ILO has expanded in response to changes in employment patterns, technology, globalisation, and the organisation of work. Its primary functions include developing international labour standards, promoting decent work, assisting member states through technical cooperation and strengthening systems for the protection of workers' rights. Through its supervisory mechanisms, the ILO also examines how ratified Conventions are being applied by member states and provides observations and guidance concerning their implementation.

The ILO also addresses emerging labour-market issues such as informal employment, platform and gig work, workplace safety, employment inequalities and the impact of technological change on workers. Its work helps governments and social partners develop labour policies that respond to changing forms of employment while maintaining principles of fairness, dignity and social protection. In this manner, the ILO contributes to the development of international labour governance and the promotion of decent and productive work.

1.2.2 Four Indian Labour Codes

India has consolidated 29 central labour laws into four Labour Codes, with the objective of simplifying and rationalising the legal framework governing employment and labour relations. The four Codes are as follows:

- i. **Code on Wages, 2019:** This Code consolidates provisions relating to wages, minimum wages, payment of wages, and equal remuneration. It seeks to establish a more coherent framework for wage regulation and extends the statutory minimum-wage framework across employments.
- ii. **Industrial Relations Code, 2020:** This Code consolidates provisions relating to trade unions, conditions of employment, standing orders, and the settlement of industrial disputes. It provides the legal framework for regulating industrial relations and collective labour relations between employers and workers.
- iii. **Code on Social Security, 2020:** This Code provides a consolidated framework for social security protection for workers across different forms of employment. It specifically recognises unorganised workers, gig workers and platform workers, reflecting changes in the structure of employment and the emergence of new forms of work.
- iv. **Occupational Safety, Health and Working Conditions Code, 2020:** This Code consolidates provisions concerning occupational safety, health, welfare and working conditions. It also covers specific categories of workers and employment arrangements, including contract labour and inter-State migrant workers, within its regulatory framework.

1.2.3 Organisation Structure of the ILO

The International Labour Organisation (ILO) is a specialised agency of the United Nations concerned with labour, employment, workers' rights, social protection and social justice. A distinctive feature of the ILO is its tripartite structure, under which representatives of governments, employers, and workers participate in the organisation's activities and decision-making processes. The ILO has 187 Member States, and representatives of these three constituent groups participate in its principal bodies.

The organisational structure of the ILO is centred on three principal bodies:

1. International Labour Conference (ILC): Establishes international labour standards and determines broad policies.
2. Governing Body: Provides overall governance, determines priorities, and prepares the programme and budget for consideration by the Conference.
3. International Labour Office: Functions as the permanent secretariat and undertakes research, technical cooperation, and other activities necessary to support the ILO's work.

Thus, the three bodies perform complementary functions: the ILC provides the policy and standard-setting direction, the Governing Body provides executive governance and oversight, and the International Labour Office carries out the organisation's day-to-day technical and administrative work.

1.2.3.1 International Labour Conference

The International Labour Conference (ILC) is the principal standard-setting and policy-making body of the International Labour Organisation (ILO). It provides a global forum in which representatives of governments, employers, and workers meet to formulate international labour standards, discuss major issues affecting the world of work, and determine broad directions for the organisation. Because of its important role in developing international labour standards, the ILC is often described as the "international parliament of labour."

The Conference normally meets once a year in Geneva. Each Member State participating in the Conference is represented by a tripartite delegation consisting of two government delegates, one employer delegate, and one worker delegate, along with advisers. The 114th Session of the ILC was held in Geneva from 1 to 12 June 2026, with participation from government, employer, and worker representatives of the ILO's 187 Member States.

One of the most significant functions of the ILC is the adoption of international labour Conventions and Recommendations. Conventions establish international standards that may become legally binding on a Member State when it ratifies them, whereas Recommendations provide non-binding guidance for national policy and legislation. The Conference also considers major labour and social issues and adopts the ILO's Programme and Budget, thereby determining the broad framework for the organisation's activities.

1. Composition of the International Labour Conference

The ILO Constitution provides for a tripartite national delegation to the Conference. Each Member State may send four principal delegates: two representing the government, one representing employers, and one representing workers. Delegates may be accompanied by advisers in accordance with the Conference rules. Importantly, employer and worker delegates are not merely representatives of their governments; they represent their respective employer and worker constituencies. This arrangement preserves the distinctive tripartite character of the ILO.

2. Tripartite Structure of the ILO

Tripartism is the defining institutional feature of the ILO. It provides governments, employers, and workers with a formal role in the development of international labour standards and policies. The three constituent groups contribute different perspectives to the ILO's work:

i. Governments

Governments represent the public and regulatory interests of Member States. They are responsible for developing and implementing national labour legislation, policies, and institutions. At the international level, government representatives participate in negotiations and discussions concerning labour standards and policies.

Their participation is particularly important because the implementation of international labour standards generally depends on national legislation, institutions, administrative mechanisms, and enforcement systems.

Example: Indian government representatives participate in ILO discussions and contribute to the formulation of international labour standards. India is also among the ten States of chief industrial importance that have a permanent government seat on the ILO Governing Body.

ii. Employers

Employers' representatives bring the perspective of enterprises and employers to discussions on labour policies and standards. Their contributions may relate to business operations, productivity, employment generation, competitiveness, workplace management and the practical implications of proposed labour standards.

Their participation helps ensure that the feasibility and practical application of labour standards within different types of enterprises are considered during policy discussions.

Example: When labour standards concerning working conditions are discussed, employers' representatives may provide information on how proposed requirements could affect enterprise operations, including the compliance challenges faced by small and medium-sized enterprises.

iii. Workers

Workers' representatives generally participate through trade unions and other recognised workers' organisations. They represent workers' interests in areas such as wages, working conditions, occupational safety and health, social security, employment security and fundamental rights at work. Their involvement enables the ILO to consider the experiences and concerns of workers when developing international labour standards and policies.

Example: During discussions on occupational safety and health, workers' representatives may highlight workplace hazards, unsafe practices and the practical difficulties workers encounter in maintaining safe working conditions.

3. Main Functions of the International Labour Conference

The major functions of the ILC can be understood through the following areas:

- i. **Establishing International Labour Standards:** The Conference adopts Conventions and Recommendations dealing with important labour and employment matters. Conventions establish international legal standards that become binding for Member States that ratify them, while Recommendations provide guidance for developing national labour policies and legislation.
- ii. **Discussing Major Labour Issues:** The ILC provides an international forum for governments, employers, and workers to deliberate on major developments and challenges affecting the world of work. Discussions may cover employment, wages, social protection, occupational safety and health, equality, technological change, and emerging forms of employment.
- iii. **Adopting the Programme and Budget:** The Conference considers and adopts the ILO's Programme and Budget, which provides the financial and operational framework for the organisation's activities. It therefore plays an important role in determining how the ILO's resources are allocated to its programmes and priorities.
- iv. **Examining the Application of Labour Standards:** The Conference also has an important role in the ILO's system of supervision of international labour standards. Its Committee on the Application of Standards. Governments concerned are given an opportunity to respond, after which the Committee may draw conclusions and recommend appropriate follow-up measures or technical assistance
- v. **Providing a Forum for Social Dialogue:** The Conference provides an international platform for governments, employers, and workers to exchange views on labour and employment issues. It facilitates dialogue among these three groups, enabling different interests and perspectives to be discussed and considered in the formulation of international labour policies and standards.

1.2.3.2 Governing Body

The Governing Body is the executive body of the ILO and functions between the sessions of the International Labour Conference. It provides overall direction to the International Labour Office and takes important decisions concerning the ILO's policies and activities.

Its major responsibilities include determining the agenda of the International Labour Conference, adopting the draft Programme and Budget for submission to the Conference, and electing the Director-General. Thus, the Governing Body serves as the principal governing and supervisory body of the ILO between the annual sessions of the International Labour Conference. The Governing Body consists of 56 titular members and 66 deputy members, representing the three constituent groups of the ILO-Governments, Employers and Workers. Its composition reflects the ILO's principle of tripartism, ensuring that the interests and perspectives of these three groups are represented in the governance of the Organization.

1.2.3.3 International Labour Office

The International Labour Office is the permanent secretariat of the ILO and serves as the focal point for its overall activities. Headquartered in Geneva, Switzerland, it provides the administrative, research, technical and operational support required for the effective functioning of the Organization. The International Labour Office undertakes the day-to-day activities required to support the implementation of ILO policies, programmes and decisions. It conducts research, collects and analyses information on employment and labour conditions and provides technical expertise on various labour-related issues.

The Office carries out its work under the leadership of the Director-General and under the scrutiny of the Governing Body. Unlike the International Labour Conference and the Governing Body, which are the ILO's principal policy-making and executive bodies, the International Labour Office functions as the Organization's permanent administrative and operational secretariat. Its officials work across 107 countries in five regions: Africa, the Americas, the Arab States, Asia and the Pacific, and Europe and Central Asia. This decentralized structure enables the Office to provide technical support and implement ILO programmes at regional and national levels.

1.2.4 Setting Labour standards

The International Labour Conference (ILC) plays a central role in developing and adopting international labour standards. These standards establish principles and guidelines for promoting decent work and protecting workers' rights across countries. They address a wide range of areas, including freedom of association, wages, working hours, occupational safety and health, equality, social security, forced labour and child labour.

The principal instruments adopted by the ILC are Conventions and Recommendations. A Convention establishes an international labour standard and becomes legally binding



on a Member State when that State ratifies it. A Recommendation provides non-binding guidance to governments on developing or improving national laws, policies, and practices.

1.2.4.1 International Labour Standards

International Labour Standards (ILS) are legal instruments developed by the International Labour Organization (ILO) to establish basic principles and minimum standards for working conditions, workers' rights and employment practices. They provide a framework for countries to develop and improve their labour laws and policies.

The main forms of International Labour Standards are Conventions, Protocols and Recommendations.

1. **Conventions :** Conventions are international treaties adopted by the International Labour Conference. Once a member country ratifies a Convention, it becomes legally binding on that country, which is expected to implement its provisions through appropriate laws and policies.
2. **Protocols :** Protocols are legally binding instruments that supplement or modify certain provisions of existing ILO Conventions. They allow international labour standards to be updated or strengthened in response to changing circumstances.
3. **Recommendations :** Recommendations provide detailed guidance on labour policies and practices. Unlike Conventions, they are not legally binding, but they assist countries in developing legislation, policies and programmes related to employment and working conditions.

1.2.4.2 Importance of ILO Conventions and Recommendations

ILO Conventions and Recommendations provide an international framework for protecting workers, promoting fair employment practices and improving working conditions. Conventions establish international labour standards that become legally binding on countries that ratify them, while Recommendations provide guidance for developing national laws, policies and programmes. Their importance can be understood through the following areas:

- ◇ **Protection of Workers:** ILO standards protect workers from exploitation, unfair treatment and unsafe working conditions. They promote fair wages, reasonable working conditions and respect for basic labour rights.
- ◇ **Promotion of Equality:** ILO standards promote equality of opportunity and treatment in employment and seek to prevent discrimination based on factors such as sex, race, religion or other protected characteristics.
- ◇ **Elimination of Forced Labour:** ILO standards seek to eliminate forced or compulsory labour and support the principle that individuals should have the freedom to choose and leave employment.

- ◇ Elimination of Child Labour: ILO standards aim to prevent children from being engaged in work that harms their education, health, safety and development. They support measures to prevent the exploitation of children and promote their access to education.
- ◇ Occupational Safety and Health: ILO standards provide an international framework for promoting safe and healthy workplaces. They encourage measures to prevent occupational accidents, diseases and other work-related risks.
- ◇ Social Protection: ILO standards support social protection measures that help workers and their families manage risks such as sickness, unemployment, work-related injury, disability, maternity and old age.
- ◇ Protection of Digital Platform Workers: Emerging international labour standards address new forms of employment, including work performed through digital labour platforms. They recognise the need to protect workers engaged in both online and location-based platform work.
- ◇ Fundamental Rights at Work: ILO standards promote fundamental principles and rights at work, including freedom of association, collective bargaining, elimination of forced and child labour and non-discrimination in employment and occupation.
- ◇ Protection against Violence and Harassment: Labour standards support measures to prevent violence and harassment at work, including forms that may occur through digital platforms or involve clients and customers.
- ◇ Promotion of Decent Work: Overall, ILO Conventions and Recommendations contribute to decent work, social justice and sustainable development by encouraging countries to strengthen labour laws, policies and workplace practices.

1.2.4.3 How International Labour Standards are Created

International Labour Standards are developed through a structured process involving the ILO, governments, employers and workers. The process ensures that proposed standards are carefully examined, discussed and refined before adoption. The major steps are:

- ◇ International Labour Standards are developed in response to growing international concern about specific labour issues that require coordinated action. The ILO Governing Body first decides to place the issue on the agenda
- ◇ The International Labour Office studies the laws and practices of Member States concerning the issue and prepares a report.
- ◇ The report is circulated to Member States, employers' organisations and workers' organisations for their comments and is then considered at the ILC during the first discussion.



- ◇ Based on the first discussion and the comments received, the International Labour Office prepares a second report containing a draft international labour instrument.
- ◇ The draft instrument is circulated for further comments and discussed at the following session of the ILC, where it may be amended before being proposed for adoption. This two-stage process is known as the double discussion procedure.
- ◇ Finally, the proposed standard is put to a vote at the ILC. A two-thirds majority of the votes cast is required for its adoption.

1.2.5 Developing Policies and Devising Programmes to Promote Decent Work

One of the important functions of the International Labour Organization (ILO) is to assist member countries in developing policies and programmes that promote decent work. Decent work refers to employment that provides opportunities for productive and fairly remunerated work, workplace rights, social protection and opportunities for workers to participate in decisions affecting their working lives. The ILO works with governments, employers and workers to identify labour-related challenges and develop appropriate policy responses.

The ILO does not simply establish international labour standards; it also supports countries in translating these standards into practical policies and programmes. It provides research, technical assistance, training, policy advice and institutional support in areas such as employment creation, wage policies, social security, occupational safety and health, skills development, gender equality and labour administration. These activities help countries strengthen their labour institutions and improve employment conditions.

The ILO promotes decent work through international labour standards, policy guidance, technical assistance and programmes. Its decent work agenda focuses on four broad areas: employment creation, rights at work, social protection and social dialogue. These areas together aim to ensure that economic development is accompanied by better working and living conditions.

Decent work has an important role in achieving sustainable development because employment affects economic growth, social well-being and the quality of life of individuals. This connection is specifically reflected in SDG 8: Decent Work and Economic Growth, which seeks to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. For example, the ILO may support policies aimed at creating productive employment opportunities while also promoting safe working conditions and adequate social protection. It may also assist governments and social partners in designing programmes for workers affected by changes in technology, economic restructuring or emerging forms of employment.

1.2.5.1 Decent Work Programmes

Decent Work Programmes are initiatives developed and supported by the International Labour Organization (ILO) to promote employment that provides fair income, workplace safety, social protection, equal opportunities and respect for workers' rights. These programmes help countries translate the principles of decent work into practical policies and actions.

Four Broad Areas of the Decent Work Agenda

The Decent Work Agenda of the International Labour Organization (ILO) focuses on four interconnected areas that together promote fair, productive and dignified employment.

1. **Employment Creation:** This area focuses on creating productive and sustainable employment opportunities for people. It aims to ensure that individuals have access to work that provides a fair income, contributes to economic development and offers opportunities for skill development and career growth.
2. **Rights at Work:** This area focuses on protecting the fundamental rights of workers. It includes freedom of association and collective bargaining, elimination of forced labour and child labour, and prevention of discrimination in employment and occupation. The objective is to ensure that workers are treated with dignity, equality and fairness.
3. **Social Protection:** Social protection provides workers with security against economic and social risks. It includes measures such as social security, maternity protection, employment injury benefits, healthcare and income support during situations such as unemployment, illness, disability and old age.
4. **Social Dialogue:** Social dialogue involves consultation, negotiation and cooperation among governments, employers and workers. It provides a platform for these three groups to participate in developing labour policies, addressing workplace issues and finding balanced solutions to employment-related challenges.

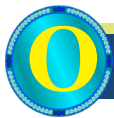


Recap

- ◇ The International Labour Organization (ILO) was established in 1919 to promote social justice and improve conditions of work.
- ◇ The ILO follows a tripartite structure involving governments, employers and workers.
- ◇ The three principal bodies of the ILO are the International Labour Conference, Governing Body and International Labour Office.
- ◇ The International Labour Conference (ILC) is the principal policy-making and standard-setting body of the ILO.



- ◇ ILO standards include Conventions, Protocols and Recommendations.
- ◇ Conventions become legally binding on Member States that ratify them, while Recommendations provide guidance for labour policies and legislation.
- ◇ International Labour Standards establish principles and minimum standards relating to workers' rights, employment and working conditions.
- ◇ The creation of International Labour Standards follows a structured double discussion procedure.
- ◇ ILO Conventions and Recommendations contribute to worker protection, equality, social protection and decent work.
- ◇ The Decent Work Agenda focuses on employment creation, rights at work, social protection and social dialogue.
- ◇ SDG 8 connects decent work with sustained, inclusive and sustainable economic growth.
- ◇ The ILO assists countries in developing policies and programmes that promote decent work and social justice.



Objective Questions

1. What is the principal policy-making body of the ILO?
2. In which year was the ILO established?
3. What is the distinctive feature of the ILO?
4. Which ILO body functions as its executive body?
5. How many Member States does the ILO have?
6. Which instrument becomes binding after ratification?
7. What is the process of developing standards through two discussions called?
8. What majority is required to adopt an ILO standard?
9. Which SDG focuses on decent work and economic growth?
10. Name one group represented in the ILO's tripartite structure.
11. Which area of the Decent Work Agenda focuses on worker participation?
12. Which area focuses on protection against unemployment, illness and old age?



Answers

1. International Labour Conference
2. 1919
3. Tripartism
4. Governing Body
5. 187
6. Convention
7. Double discussion
8. Two Thirds
9. SDG 8
10. Governments
11. Social dialogue
12. Social protection



Self - Assessment Questions

1. Describe the tripartite structure of the ILO.
2. Explain the structure and major functions of the International Labour Conference.
3. Describe the different types of International Labour Standards.
4. Explain the importance of ILO Conventions and Recommendations.
5. Describe the process through which International Labour Standards are created.
6. Discuss the role of the ILO in developing policies and programmes to promote decent work.
7. Explain the four broad areas of the Decent Work Agenda.
8. Describe the relationship between decent work and SDG 8.





Assignments

1. Analyse the role of the ILO in promoting social justice and decent work in the changing world of employment.
2. Discuss how ILO Conventions and Recommendations contribute to the protection of workers' rights.
3. Examine the role of employment creation, rights at work, social protection and social dialogue in promoting decent work.
4. Examine how International Labour Standards can address emerging forms of employment such as digital platform and gig work.



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BLOCK - 02

Labour Laws



Unit - 1

Welfare Legislation



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the objectives, scope and major provisions of the Factories Act, 1948, Contract Labour (Regulation and Abolition) Act, 1970, and Building and Other Construction Workers Act, 1996
- ◇ describe the rights, welfare measures, safety provisions and working conditions prescribed under major labour welfare legislations
- ◇ apply the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 to identify appropriate procedures for preventing and addressing workplace harassment
- ◇ analyse the provisions of the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 and distinguish between prohibited and regulated forms of child and adolescent employment
- ◇ examine the responsibilities of employers, contractors and other stakeholders in ensuring statutory compliance, occupational safety and employee welfare
- ◇ evaluate workplace situations and determine whether they comply with the relevant provisions of labour welfare legislation
- ◇ develop appropriate measures for promoting a safe, equitable and legally compliant workplace based on the principles of labour welfare legislation



Prerequisite

A large manufacturing company in Kerala employs permanent workers as well as workers supplied through a contractor. The factory has production areas with machinery, chemicals and high-temperature equipment. During an internal inspection, it was found that some workers were not provided with adequate safety equipment, welfare facilities and proper working-hour arrangements. The contractor had also failed to maintain complete records relating to contract workers. These issues raised concerns about the responsibilities of the employer and contractor towards worker safety, health and welfare.

At the same time, the company received a complaint from a woman employee regarding inappropriate behaviour by a senior colleague. The organisation had not clearly communicated its workplace policy on sexual harassment, and employees were unaware of the procedure for making a complaint. In another nearby construction project, workers were engaged under difficult working conditions, with concerns relating to safety equipment, sanitation, drinking water and other basic welfare facilities. These situations demonstrate the need for employers to understand and comply with legislation relating to workplace safety, contract labour and construction workers.

The company also discovered that a young adolescent had been engaged to perform certain work through an informal arrangement. Management realised that employing children and adolescents is subject to specific legal restrictions and safeguards. The case therefore helps learners recognise that labour welfare legislation is not merely a set of legal requirements but an important mechanism for protecting workers, ensuring safe and dignified working conditions, preventing exploitation and promoting responsible employment practices.

This unit explains the major welfare legislations governing factories, contract labour, construction workers, workplace sexual harassment, and child and adolescent labour in India, with emphasis on their objectives, important provisions, employer responsibilities, worker protection and workplace compliance.



Keywords

Labour Legislation, Factories Act, Working Conditions, Contract Labour (Regulation and Abolition) Act, BOCW Act, POSH Act



Discussion

Labour welfare legislation in India provides a legal framework to ensure safe, fair, and dignified working conditions for employees and workers. The Factories Act, 1948 focuses on the health, safety, welfare, and working conditions of workers in factories, while the Contract Labour (Regulation and Abolition) Act, 1970 regulates the employment of contract labour and provides safeguards for their welfare. The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996 provides for the safety, health, and welfare of construction workers. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 establishes mechanisms to prevent and address sexual harassment at the workplace, while the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 seeks to prohibit the employment of children and regulate the conditions of



work for adolescents as provided by law. Together, these laws aim to promote workplace safety, worker welfare, dignity, equality, and protection from exploitation.

2.1.1 Concept of Welfare Legislation

Welfare legislation refers to laws enacted by the state to ensure the health, safety, and overall well-being of workers in their workplaces. These laws aim to provide minimum standards of working conditions, including proper sanitation, ventilation, rest facilities, and medical care. They also focus on protecting vulnerable groups such as women and children from exploitation and unsafe practices. Welfare legislation promotes social justice by balancing the interests of employers and employees, ensuring dignity and humane treatment at work. Ultimately, it serves as a foundation for industrial harmony and sustainable economic development by safeguarding workers' rights.

2.1.1 The Factories Act, 1948

1. Factories Act, 1881 – The Beginning of Labour Regulation

The first factory law in India was enacted in 1881, focusing mainly on child labour in textile mills. It prohibited the employment of children below seven years of age and restricted working hours for those between seven and twelve. Though limited in scope, this Act marked the beginning of state intervention in industrial labour welfare.

2. Factories Act, 1891 – Expansion of Coverage

The 1891 Act extended coverage to factories employing 50 or more workers. It introduced weekly holidays and improved restrictions on child labour. It also attempted to regulate working hours for women, reflecting growing concern for vulnerable groups in industrial settings, though enforcement remained weak.

3. Factories Act, 1911 – Emphasis on Safety

The 1911 Act was a significant step forward, focusing on workplace safety after several industrial accidents. It mandated fencing of dangerous machinery, regulated working hours, and restricted night work for women and children. This Act highlighted the importance of safety measures and broadened the scope of labour protection.

4. Factories Act, 1922 – Incorporation of ILO Standards

Following India's participation in the International Labour Organisation (ILO), the 1922 Act incorporated global labour standards. It raised the minimum age for child workers and improved working conditions. This reflected India's alignment with international commitments and recognition of labour rights as part of global industrial practices.

5. Factories Act, 1934 – Consolidation of Laws

The 1934 Act consolidated earlier legislations and was based on recommendations of the Royal Commission on Labour. It introduced more detailed provisions on

health, safety, and welfare, but its scope was still limited to larger factories. Despite shortcomings, it represented the most comprehensive factory law before independence.

6. Factories Act, 1948 – Post-Independence Reform

After independence, the Factories Act, 1948 was enacted to provide a holistic framework for industrial labour welfare. It applied to factories employing 10 or more workers (with power) and 20 or more workers (without power). The Act mandated provisions for cleanliness, ventilation, drinking water, canteens, restrooms, medical facilities, and safety measures. It regulated working hours, overtime, and restricted hazardous work for women and children, symbolising India's commitment to social justice and industrial harmony.

7. Later Amendments and Legacy – Towards Modern Codes

The Factories Act was amended in 1954, 1976, and 1987 to strengthen safety and welfare provisions. Eventually, it was repealed and replaced by the Occupational Safety, Health and Working Conditions Code, 2020, which consolidated multiple labour laws into a modern framework. Despite its repeal, the 1948 Act remains a landmark in the history of labour legislation in India, shaping the foundation of workplace rights and protections.

2.1.1.1 The Factories Act in India

India's most important labour legislation, enacted soon after independence to ensure the health, safety, and welfare of workers in industrial establishments. It consolidated earlier colonial laws and created a comprehensive framework for regulating working conditions in factories.

Key Provisions

- ◇ **Applicability:** It applies to factories employing 10 or more workers (with power) or 20 or more workers (without power).
- ◇ **Health & Welfare:** Mandates cleanliness, ventilation, safe drinking water, canteens, restrooms, and medical facilities.
- ◇ **Safety Measures:** Requires fencing of machinery, precautions against hazardous processes, and appointment of safety officers.
- ◇ **Working Hours:** Limits adult working hours to 48 per week, with provisions for overtime pay.
- ◇ **Protection of Women & Children:** Restricts night shifts and hazardous work for women and prohibits child labour below a certain age.

The Act represented India's first major post-independence labour welfare law, ensuring humane working conditions and aligning with international labour standards. It was amended several times (1954, 1976, 1987) to strengthen safety and welfare provisions. Eventually, it was repealed and replaced by the Occupational Safety, Health



and Working Conditions Code, 2020, which consolidated multiple labour laws into a modern framework.

2.1.1.2 Definition of the Factories Act, 1948

The Factories Act, 1948 is a social welfare legislation enacted by the Government of India to regulate the working conditions in factories. It aims to ensure the health, safety, welfare, and proper working hours of workers employed in industrial establishments.

In simple terms, the Act defines a *factory* as any premises where ten or more workers are employed with the aid of power, or twenty or more workers without the aid of power, engaged in manufacturing processes. Its provisions safeguard workers against exploitation, provide minimum standards for workplace facilities, and promote industrial harmony by balancing the interests of employers and employees.

2.1.1.3 Key Features

1. Applicability

The Act applies to factories employing 10 or more workers with power or 20 or more workers without power, engaged in manufacturing processes. This ensures that both small and large industrial establishments are covered under its provisions.

2. Health Provisions

It mandates standards for cleanliness, ventilation, lighting, safe drinking water, disposal of waste, and prevention of overcrowding. These measures safeguard workers from health hazards and promote hygienic working conditions.

3. Safety Measures

The Act requires fencing of dangerous machinery, precautions against hazardous processes, appointment of safety officers, and emergency protocols. These provisions aim to minimize accidents and protect workers from industrial risks.

4. Welfare Facilities

Factories must provide canteens, restrooms, washing facilities, crèches for children, and medical aid. These welfare measures enhance the quality of life for workers and support their well-being beyond basic employment.

5. Working Hours and Leave

The Act limits adult working hours to 48 per week and 9 per day, with provisions for overtime pay. It also ensures weekly holidays, annual leave with wages, and rest intervals, protecting workers from exploitation.

6. Protection of Women and Children

It prohibits the employment of children below a certain age and regulates adolescent work. Women workers are restricted from night shifts and hazardous processes, ensuring their safety and dignity at the workplace.

7. Regulatory Oversight

The Act empowers inspectors and authorities to enforce compliance, conduct inspections, and prosecute violations. This ensures accountability and effective implementation of labour standards.

2.1.1.4 Need and Importance

1. Need for the Act

The Factories Act, 1948 was needed because industrialization in India brought rapid growth but also unsafe and exploitative working conditions. Workers were subjected to long hours, poor sanitation, lack of medical facilities, and dangerous machinery without proper safeguards. Child labour and hazardous employment of women were common, and there was no uniform law to regulate these issues. To protect workers' rights, ensure humane treatment, and promote industrial peace, a comprehensive legislation was required.

Example: In the early textile mills of Bombay and Ahmedabad, children as young as 8–10 years were employed for long hours in unsafe environments. The Act addressed this by prohibiting child labour below a certain age and regulating adolescent work.

2. Importance of the Act

The Act is important because it provides a legal framework for health, safety, and welfare in factories. It ensures minimum standards for working conditions, mandates welfare facilities like canteens and medical aid, and regulates working hours to prevent exploitation. It also protects vulnerable groups such as women and children, while balancing employer and employee interests to promote social justice and industrial harmony.

Example: In hazardous industries like chemical plants or petroleum depots, the Act requires fencing of machinery, appointment of safety officers, and emergency protocols. This has prevented countless accidents and safeguarded workers' lives. Similarly, provisions for crèches in factories employing women workers have supported gender equality and workplace dignity.

2.1.1.5 Case Examples

1. State of Maharashtra v. Kores (India) Ltd. (1970)

In this case, the issue was whether a premises where only repairing and servicing of typewriters was carried out could be considered a “factory” under the Act. The court held that since the activity involved a manufacturing process and employed more than the minimum number of workers, it fell within the definition of a factory. This case clarified the scope of what constitutes a “manufacturing process.”

2. **Bhikusa Yamasa Kshatriya v. Union of India (1963)**

The question here was whether bidi-making establishments employing workers at different locations could be treated as factories. The Supreme Court ruled that if the work is carried out under the supervision of an employer and involves a manufacturing process, it qualifies as a factory. This case emphasized that the definition of a factory is broad and not limited to a single building.

3. **State of Gujarat v. Prakash Trading Co. (1972)**

This case dealt with the employment of workers in premises where power was used for manufacturing. The court held that once power is used in the process and the minimum number of workers are employed, the establishment must comply with the Factories Act. It reinforced the importance of adhering to safety and welfare provisions.

4. **Indian Oil Corporation Ltd. v. Chief Inspector of Factories (1998)**

The issue was whether storage depots of petroleum products could be considered factories. The court ruled that since handling and processing of petroleum involved a manufacturing process, such depots fell under the definition of a factory. This case highlighted how hazardous industries are strictly regulated under the Act.

5. **Regional Inspector of Factories v. P. Narayanaswamy (1960)**

This case examined whether certain premises where workers were engaged in packaging and labeling could be considered a factory. The court held that packaging and labeling are part of the manufacturing process, thereby bringing the premises under the purview of the Act. It expanded the understanding of what activities qualify as manufacturing.

2.1.2 Contract Labour (Regulation and Abolition) Act, 1970

The Contract Labour (Regulation and Abolition) Act, 1970 (CLRA Act) was enacted to regulate the employment of contract labour and, in certain circumstances, to provide for its abolition. The Act mainly seeks to protect workers employed through contractors and to ensure that contractors and principal employers comply with prescribed labour and welfare requirements. For study purposes, the Act is particularly important for understanding the relationship between the principal employer, contractor and contract workers.

2.1.2.1 Meaning and Purpose of the Act

The main purpose of the Act is to regulate the employment of workers engaged through contractors and to prevent their exploitation. It provides requirements relating to registration of establishments, licensing of contractors, welfare facilities, wages and working conditions. It also gives the appropriate government power to prohibit contract labour in certain types of work where the statutory conditions are satisfied.

Example: A manufacturing company directly needs 50 workers for loading and unloading but instead hires a contractor who supplies the workers. The workers supplied by the contractor are generally treated as contract labour, and the arrangement may be regulated under the Act.

2.1.2.2 Contract Labour

Contract labour means a worker who is hired in connection with the work of an establishment through a contractor rather than being directly employed by the principal employer. The contractor undertakes to produce a given result or supplies workers to the establishment.

Example: A company hires ABC Labour Contractors to provide 30 housekeeping workers. The workers perform housekeeping work in the company's premises but are supplied by ABC Labour Contractors. They are contract workers.

2.1.2.3 Principal Employer

The principal employer is the person or authority responsible for the establishment in which the contract labour is employed. Depending on the type of establishment, this may be the owner, manager, head of a government department, or another person specified by law.

Example: If a factory engages workers through a contractor, the factory's manager or the person legally responsible for the factory may be treated as the principal employer.

2.1.2.4 Contractor

A contractor is a person who undertakes to produce a given result for an establishment through contract labour or who supplies contract labour to the establishment. The contractor is responsible for employing and managing the workers supplied under the contract.

Example: A construction company hires XYZ Contractors to supply 40 workers for cleaning and maintenance. XYZ Contractors is the contractor, while the construction company is the principal employer.

2.1.2.5 Applicability of the Act

The Act generally applied to establishments and contractors employing 20 or more contract workers, subject to the statutory provisions and exemptions. The appropriate government could also extend its application to establishments or contractors employing fewer workers after following the prescribed procedure.

Example: If a factory employs 50 workers through a contractor, the contract-labour arrangement falls within the normal threshold for application of the Act.

2.1.2.6 Registration of Establishments

The Act required every principal employer of an establishment to which the Act applied to obtain a certificate of registration. Registration allowed the government to identify establishments using contract labour and monitor compliance with the law.

Example: A large factory uses 100 contract workers for security and cleaning. The principal employer must comply with the prescribed registration requirements before employing contract labour.

2.1.2.7 Licensing of Contractors

A contractor covered by the Act was required to obtain a licence from the appropriate licensing authority. The licence could contain conditions relating to the employment of contract labour, wages and welfare facilities.

Example: If a contractor supplies 60 workers to a factory, the contractor must obtain the required licence and comply with the conditions attached to that licence.

2.1.2.8 Prohibition of Employment of Contract Labour

One of the most important features of the Act was the power of the appropriate government to prohibit the employment of contract labour in particular work or processes after considering the statutory factors.

The government could consider matters such as whether the work is incidental or necessary to the business, whether it is of a perennial nature, whether it is ordinarily performed by regular workers and whether it is sufficient to employ a considerable number of workers.

Example: If a particular activity in a factory is a permanent and continuous part of the establishment's core operations and is ordinarily performed by regular employees, the government may consider whether contract labour should be prohibited for that work, subject to the statutory process.

2.1.2.9 Advisory Boards

The Act provided for the establishment of Central and State Advisory Contract Labour Boards. These Boards advise the appropriate government on matters relating to contract labour and may be consulted before contract labour is prohibited in particular establishments or processes.

Example: Before taking a decision regarding prohibition of contract labour in a particular industry or process, the appropriate government may obtain the advice of the relevant Advisory Board.

2.1.2.10 Welfare Facilities

The Act requires contractors to provide certain welfare facilities for contract workers. These facilities include drinking water, canteens, rest rooms, washing facilities and first-aid facilities, subject to the conditions prescribed by the Act and rules.

Example: If a contractor employs a large number of workers at a factory site, the contractor may be required to provide drinking water and suitable washing facilities for those workers.

2.1.2.11 Canteens

Where the prescribed conditions are satisfied, the contractor must provide a canteen for contract workers. The detailed requirements concerning the number of workers and operation of the canteen are provided by the applicable rules.

Example: A contractor employs several hundred workers at a large industrial establishment. If the prescribed threshold and conditions are met, a canteen must be provided for the workers.

2.1.2.12 Rest Rooms

The Act provides for rest-room facilities where contract workers are required to halt at night at the establishment and the prescribed conditions are satisfied. The rest rooms must meet the standards prescribed by the relevant rules.

Example: A contractor employs migrant workers at a remote project where workers are required to stay overnight at the worksite. Where the statutory conditions apply, suitable rest-room facilities must be provided.

2.1.2.13 Drinking Water

The contractor must provide sufficient and accessible drinking-water facilities for contract workers. The purpose is to protect workers' health and ensure that they have access to safe drinking water while working.

Example: At a road-construction project, the contractor should provide clean drinking water at convenient locations instead of requiring workers to walk a long distance to find water.

2.1.2.14 Washing Facilities

The Act provides for suitable washing facilities for contract workers in circumstances prescribed by the rules. This is especially important where workers are exposed to dust, chemicals, grease or other substances.

Example: Workers engaged in industrial cleaning may come into contact with oil and chemicals. Suitable washing facilities allow them to clean themselves after completing their work.



2.1.2.15 First-Aid Facilities

The contractor is required to provide appropriate first-aid facilities for contract workers as prescribed by law.

Example: If a contract worker suffers a minor cut while working with machinery, a properly equipped first-aid box should be available at the workplace for immediate treatment.

2.1.2.16 Responsibility for Payment of Wages

The contractor is primarily responsible for payment of wages to contract workers. The principal employer is required to nominate a representative to be present at the time of wage payment and certify the amounts paid. If the contractor fails to pay wages or makes short payment, the principal employer may become responsible for ensuring payment to the workers and can recover the amount from the contractor.

Example: A contractor is supposed to pay 50 workers their monthly wages but fails to make payment. The principal employer may be required to make the payment to the workers and subsequently recover the amount from the contractor.

2.1.2.17 Wage Rates

Contract workers must receive wages in accordance with the applicable legal requirements, including minimum-wage requirements where applicable. A contractor cannot legally avoid statutory wage obligations merely because the workers are employed through a contract.

Example: If the legally applicable minimum wage for a particular category of work is ₹600 per day, a contractor cannot pay a worker ₹300 per day simply because the worker is contract labour.

2.1.2.18 Registers and Records

Contractors and principal employers are required to maintain prescribed registers, records and documents relating to contract workers, wages and employment conditions. These records assist authorities in checking compliance.

Example: A contractor employing 100 workers may be required to maintain records showing the workers' names, employment details, wages paid and other prescribed information.

2.1.2.19 Inspectors

The appropriate government can appoint inspectors to enforce the Act. Inspectors have powers to enter establishments, inspect workplaces, examine registers and records, investigate matters relating to contract labour and perform other functions permitted by law.

Example: An inspector may visit a factory and examine whether the contractor has maintained wage records and whether the required welfare facilities are available for contract workers.

2.1.2.20 Health and Safety

Although the Act is primarily concerned with regulating contract labour and welfare, it also requires prescribed welfare and working facilities to be provided to contract workers. Other occupational-safety laws may also apply to the workplace depending on the nature of the establishment.

Example: Contract workers employed inside a factory must be provided the facilities and protections required by the applicable labour and safety laws. The fact that they are employed through a contractor does not remove the employer's legal responsibilities under applicable legislation.

2.1.2.21 Liability of the Principal Employer

The principal employer cannot simply ignore contract workers because they are technically supplied by a contractor. The Act places certain responsibilities on the principal employer, particularly concerning registration, wage-payment oversight and ensuring that prescribed welfare facilities are available.

Example: A factory hires a contractor to provide security guards. If the contractor fails to provide a legally required facility for the workers, the principal employer may have responsibilities under the applicable provisions and rules.

2.1.2.22 Penalties

The Act provides penalties for violations of its provisions. A principal employer or contractor may face punishment for offences such as employing contract labour without complying with registration or licensing requirements or violating other statutory requirements.

Example: If a contractor operates without the required licence while supplying contract workers to a covered establishment, the contractor may be subject to the penalty prescribed by law.

2.1.2.23 Exemptions

The appropriate government has powers under the Act to grant exemptions in certain circumstances, subject to the statutory requirements. The government may consider the nature of the establishment or circumstances of a particular case while exercising such powers.

Example: If a particular establishment falls within a special category for which an exemption is legally available, the appropriate government may grant an exemption subject to the conditions prescribed.



2.1.2.24 Importance of the Act

The Act was important because contract labour can sometimes face problems such as irregular payment of wages, inadequate welfare facilities and insecure working conditions. The Act created a framework for regulating the use of contract labour and imposed responsibilities on both contractors and principal employers.

Example: A factory may use contract workers for cleaning, security and maintenance. The Act ensures that the contractor cannot simply employ these workers without complying with legal requirements relating to wages, records and welfare facilities.

2.1.3 The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996

2.1.3.1 Introduction

The Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996, commonly known as the BOCW Act, 1996, was enacted to regulate the employment and working conditions of workers engaged in building and other construction activities. Construction workers are often exposed to risks such as falls, injuries, dangerous machinery, electrical accidents and hazardous materials. The Act was introduced to provide workers with safe and healthy working conditions, welfare facilities and social-security benefits.

Example: If 50 workers are employed to construct a multi-storey apartment building, the employer must follow the safety, health and welfare requirements applicable to construction workers under the Act.

2.1.3.2 Objectives of the Act

The main objective of the Act is to protect the health, safety and welfare of construction workers. It regulates their conditions of employment and provides provisions relating to working hours, rest periods, safety, health and welfare facilities. It also provides for Welfare Boards through which eligible construction workers can receive various social-security benefits.

Example: If construction workers are working at a height of 10 floors, the employer must take safety measures such as providing proper scaffolding, guardrails and other protective arrangements to reduce the risk of workers falling.

2.1.3.3 Application of the Act

The Act applies to establishments where ten or more building workers are employed or were employed on any day during the preceding twelve months, subject to the provisions of the Act. It covers various construction activities, including buildings, roads, bridges, tunnels, dams and pipelines.

Example: A company employs 25 workers for the construction of a shopping mall. Since the establishment employs at least 10 building workers, the BOCW provisions applicable to it must be followed.

2.1.3.4 Meaning of Building Worker

A building worker is a person employed for wages to perform skilled, semi-skilled or unskilled work in connection with building or other construction work. It can include masons, carpenters, electricians, plumbers, painters, welders, helpers and other construction workers.

Example: A mason constructing walls, an electrician installing electrical wiring and a plumber installing water pipes at a construction site can all fall within the category of building workers.

2.1.3.5 Building and Other Construction Work

The Act covers a wide range of construction activities. These include construction, alteration, repair, maintenance or demolition of buildings, roads, railways, bridges, tunnels, dams, canals, pipelines, power structures and other prescribed works.

Example: Workers constructing a highway bridge or a large dam can be covered by the Act even though they are not constructing an ordinary building.

2.1.3.6 Registration of Establishments

Covered construction establishments are required to obtain registration with the appropriate authority. Registration helps the government identify construction establishments and monitor their compliance with labour, safety and welfare requirements.

Example: A construction company starting a project involving 100 workers cannot simply begin operations without complying with the prescribed registration requirements. It must apply for registration with the appropriate authority.

2.1.3.7 Duties of Employers

Employers have an important responsibility to protect the health and safety of workers. They must provide a safe working environment, comply with prescribed safety standards and provide the welfare facilities required under the law. They must also maintain necessary records and cooperate with inspectors.

Example: If workers are required to operate a concrete-mixing machine, the employer must ensure that the machinery is properly maintained and that workers are given appropriate safety instructions and protective equipment.



2.1.3.8 Health and Safety Measures

The Act contains provisions relating to the safety of workers from construction-related hazards. Employers must take precautions concerning scaffolding, ladders, machinery, excavation, lifting equipment, electricity, fire and work at dangerous heights.

Example: When workers are digging a deep foundation, the employer must take appropriate precautions to prevent the sides of the excavation from collapsing and injuring workers.

2.1.3.9 Drinking Water and Sanitation

Employers must provide adequate and accessible drinking water and appropriate sanitation facilities at construction sites. Proper sanitation helps protect workers from diseases and maintains hygienic working conditions.

Example: At a large construction site, workers should have access to clean drinking water and properly maintained toilets instead of being forced to obtain water from an unsafe source.

2.1.3.10 First-Aid Facilities

Construction establishments must provide appropriate first-aid facilities for workers. First aid is particularly important because construction work involves machinery, heights, electrical equipment and other hazards.

Example: If a worker cuts his hand while operating construction equipment, a first-aid box should be readily available at the site so that immediate treatment can be given.

2.1.3.11 Canteens

The Act provides for canteen facilities in establishments where the prescribed conditions are satisfied. The purpose is to provide workers with hygienic and reasonably accessible food during working hours.

Example: If a large construction project employs a substantial number of workers, the employer may be required to provide a canteen where workers can obtain meals and refreshments during breaks.

2.1.3.12 Rest Rooms and Accommodation

Where workers are required to stay at or near a construction site, the Act provides for suitable rest rooms and accommodation facilities in the circumstances prescribed by law. This is especially important for workers who have migrated from other places for employment.

Example: A group of workers from another State is employed to construct a highway in a remote area. Where the prescribed conditions apply, suitable accommodation and resting facilities should be provided for them.

2.1.3.13 Crèches

The Act provides for crèche facilities for the children of women workers where the prescribed conditions are satisfied. This helps women workers who have young children and ensures that their children receive proper care while their mothers are working.

Example: If a construction project employs the prescribed number of women workers who have young children, the employer may be required to provide a crèche where the children can be cared for during working hours.

2.1.3.14 Working Hours

The Act regulates the working hours of construction workers and provides for rest intervals and weekly rest. These provisions are intended to prevent workers from being forced to work for excessively long periods.

Example: If a contractor asks workers to continuously work throughout the day without providing the legally required rest interval, such a practice may violate the applicable working-hour requirements.

2.1.3.15 Overtime

Where workers are required to work beyond the prescribed normal working hours, they are entitled to overtime wages according to the applicable provisions. Overtime provisions ensure that workers receive additional compensation for extra work.

Example: If a worker normally completes his prescribed working hours but is asked to work additional hours to complete a concrete-pouring operation, the additional work may qualify for overtime payment according to the law.

2.1.3.16 Employment of Women

The Act contains provisions relating to the employment and welfare of women workers. Women workers are entitled to the protections and welfare facilities applicable to them under the Act and relevant rules and schemes.

Example: A woman employed as a construction worker at a building project must be provided the safety and welfare protections required by law. Where applicable, facilities such as a crèche may also be provided for her child.

2.1.3.17 Employment of Young Persons

The Act contains provisions for the protection of young persons engaged in construction work. Since construction sites involve dangerous machinery, heights and heavy materials, restrictions are imposed on work that may expose young persons to prohibited hazards.

Example: A young person should not be assigned work involving dangerous machinery or other prohibited hazardous construction activities where the law restricts such employment.



2.1.3.18 Safety Equipment and Protective Measures

Employers must take appropriate measures to protect workers from construction hazards. Depending on the nature of the work, protective equipment may include helmets, safety shoes, gloves, goggles, safety belts and protective clothing.

Example: A worker employed on the tenth floor of a building may need a safety helmet and appropriate fall-protection equipment. A worker cutting metal may need suitable eye and face protection.

2.1.3.19 Welfare Boards

The Act provides for the establishment of Building and Other Construction Workers' Welfare Boards by State Governments. These Boards implement welfare schemes for registered construction workers and administer the welfare funds available for their benefit.

Example: A State Welfare Board may introduce a scheme providing financial assistance for the education of the children of registered construction workers.

2.1.3.20 Registration of Workers as Beneficiaries

Eligible construction workers can register themselves as beneficiaries of the Welfare Board, subject to the statutory requirements. Registration enables workers to access welfare schemes administered by the Board.

Example: A construction worker who satisfies the prescribed age and work requirements can apply to the State Welfare Board for beneficiary registration. Once registered, the worker may become eligible for benefits under applicable welfare schemes.

2.1.3.21 Welfare Schemes

Welfare Boards can implement various schemes for the benefit of registered construction workers. These may include assistance for medical treatment, education, housing, accidents, maternity, pensions and funeral expenses, depending on the schemes applicable in the particular State.

Example: If a registered construction worker suffers a serious accident at work, the worker or the worker's family may receive financial assistance under an applicable accident-benefit scheme.

2.1.3.22 Building and Other Construction Workers' Welfare Cess

The welfare system is supported by the Building and Other Construction Workers' Welfare Cess Act, 1996. A cess is imposed on the cost of construction at the rate prescribed by law, and the money collected is used to finance welfare measures for construction workers.

Example: If a large construction project has a substantial construction cost, the prescribed welfare cess may be collected from the construction establishment. The funds can then be used for welfare schemes benefiting eligible construction workers.

2.1.3.23 Inspectors

The Act provides for inspectors to ensure compliance with its provisions. Inspectors can enter construction establishments, inspect workplaces, examine machinery and equipment, investigate accidents and check relevant records and documents.

Example: An inspector may visit a construction site without advance notice and check whether workers have proper safety equipment and whether the employer is maintaining the required records.

2.1.3.24 Accident Reporting

The Act requires employers to report certain construction-site accidents to the appropriate authorities. Reporting helps authorities investigate serious accidents and take measures to prevent similar incidents.

Example: If a worker suffers a serious injury after falling from scaffolding, the employer may be required to report the accident to the prescribed authority in accordance with the applicable rules.

2.1.3.25 Penalties

The Act provides penalties for violations of its provisions. Employers or other responsible persons may face fines and, in appropriate cases, imprisonment for offences under the Act.

Example: If an employer repeatedly ignores mandatory safety requirements and violates provisions of the Act, the employer may face legal proceedings and the penalties prescribed by law.

2.1.3.26 Importance of the Act

The BOCW Act is important because construction workers are exposed to numerous occupational risks and often have irregular employment. The Act attempts to ensure that workers receive minimum standards of safety, health and welfare and can obtain social-security benefits through Welfare Boards.

Example: A migrant construction worker who moves from one project to another may not have stable employment or access to regular social-security benefits. Registration with the appropriate Welfare Board can provide access to applicable welfare schemes.

2.1.4 Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, commonly known as the POSH Act, was enacted to provide protection to women against sexual harassment at the workplace and to provide a mechanism for the prevention, prohibition and redressal of complaints relating to sexual harassment. The Act is based on the principle that every woman has the right to work in a safe environment free from sexual harassment. It also provides a formal complaint and inquiry mechanism through the Internal Committee and, in appropriate cases, the Local Committee.

2.1.4.1 Objective of the Act

The primary objective of the Act is to prevent sexual harassment of women at the workplace and to provide an effective mechanism for dealing with complaints. It requires employers to take preventive measures, create awareness among employees and establish appropriate mechanisms for receiving and resolving complaints.

Example: If an employee repeatedly makes sexually suggestive comments to a female colleague, the employer must have a mechanism through which she can make a complaint and seek redressal.

2.1.4.2 Meaning of Sexual Harassment

The Act defines sexual harassment broadly. It includes unwelcome acts or behaviour such as physical contact and advances, a demand or request for sexual favours, making sexually coloured remarks, showing pornography, or any other unwelcome physical, verbal or non-verbal conduct of a sexual nature.

Example: A male supervisor repeatedly makes sexual comments about a woman's appearance even after she asks him to stop. Such unwelcome sexually coloured remarks may amount to sexual harassment.

2.1.4.3 Physical Contact and Advances

Unwelcome physical contact or advances of a sexual nature can constitute sexual harassment. Consent and the circumstances surrounding the conduct are relevant to determining whether behaviour is unwelcome.

Example: A supervisor repeatedly touches an employee's body without her consent or attempts to make unwanted physical advances towards her at the workplace.

2.1.4.4 Demand or Request for Sexual Favours

A demand or request for sexual favours is expressly recognised as sexual harassment under the Act.

Example: A manager tells an employee that he will recommend her for promotion if she agrees to go on a private date with him in circumstances involving a sexual demand. Such conduct may amount to sexual harassment.

2.1.4.5 Sexually Coloured Remarks

The Act covers sexually coloured remarks, including inappropriate sexual jokes or comments directed at a woman.

Example: During a workplace meeting, a colleague repeatedly makes explicit sexual jokes directed at a female employee, making her uncomfortable. Such conduct may fall within the Act's definition.

2.1.4.6 Showing Pornography

Showing pornography or other sexually explicit material to a woman without her consent can constitute sexual harassment.

Example: An employee sends sexually explicit videos to a female colleague through the company's messaging system even though she has not asked for or consented to receiving them.

2.1.4.7 Other Unwelcome Conduct of a Sexual Nature

The definition also covers other unwelcome physical, verbal or non-verbal conduct of a sexual nature. This allows the law to address forms of sexual harassment that may not fit neatly into the specific examples listed in the Act.

Example: An employee repeatedly sends unwanted sexually suggestive messages to a female colleague through workplace communication platforms.

2.1.4.8 Circumstances That May Amount to Sexual Harassment

The Act identifies certain circumstances which, if connected with unwelcome sexual behaviour, may amount to sexual harassment. These include an implied or explicit promise of preferential treatment in employment, an implied or explicit threat of detrimental treatment, threats regarding employment status, interference with work, creating an intimidating or offensive work environment, or humiliating treatment likely to affect health or safety.

Example: A supervisor tells a woman that she will receive a better appraisal if she agrees to meet him privately for a sexual purpose. This may involve a promise of preferential treatment linked to sexual conduct.

2.1.4.9 Meaning of Aggrieved Woman

An aggrieved woman under the Act is a woman of any age, whether employed or not, who alleges that she has been subjected to sexual harassment at a workplace. Therefore, the protection is not limited to permanent female employees.



Example: A female intern, temporary worker, visitor or woman employed through an agency may be able to make a complaint if she experiences sexual harassment at a workplace.

2.1.4.10 Meaning of Workplace

The Act gives a broad meaning to workplace. It includes government and private organisations, offices, institutions, hospitals, sports institutions, educational institutions, places visited by employees during employment and employer-provided transportation. The definition can therefore extend beyond the employer's physical office.

Example: If an employee experiences sexual harassment while travelling in a company-provided vehicle for work, the incident may fall within the scope of the Act.

2.1.4.11 Employer's Responsibility

The employer has a duty to provide a safe working environment and take steps to prevent sexual harassment. Employers must also provide the facilities and assistance required for dealing with complaints and inquiries under the Act.

Example: A company should not simply tell an employee to "ignore" repeated sexual harassment. It should have a proper complaint mechanism and take appropriate action in accordance with the Act.

2.1.4.12 Internal Committee

An employer is required to constitute an Internal Committee (IC) at the workplace in accordance with the Act where the statutory conditions are satisfied. The Committee is responsible for receiving and dealing with complaints of sexual harassment.

The Committee must have the composition prescribed by law, including a woman Presiding Officer, employee members and an external member familiar with issues relating to sexual harassment.

Example: A company with a large office can constitute an Internal Committee consisting of a senior woman employee as Presiding Officer, other employee members and an external member with appropriate experience.

2.1.4.13 Local Committee

The Act provides for a Local Committee at the district level. It is intended to receive complaints from women working in establishments where an Internal Committee has not been constituted because the establishment has fewer than the prescribed number of workers, and in certain other circumstances specified by the Act.

Example: A woman working in a small office with fewer than 10 employees may approach the Local Committee in the circumstances provided by the Act instead of an Internal Committee.

2.1.4.14 Complaint by the Aggrieved Woman

A woman who alleges sexual harassment may make a written complaint to the Internal Committee or Local Committee, as applicable, within the period prescribed by the Act. The Act also provides for assistance where the woman is unable to make the complaint in writing.

Example: If a woman employee is repeatedly harassed by her supervisor, she can submit a written complaint to her company's Internal Committee describing the incidents and relevant circumstances.

2.1.4.15 Time Limit for Complaint

The Act originally provides that a complaint should generally be made within three months from the date of the incident, or, in the case of a series of incidents, within three months from the date of the last incident. The Committee may extend the period by a further period of up to three months if it is satisfied that circumstances prevented the woman from making the complaint within the original period.

Example: If an incident occurred on 1 January, the complaint would ordinarily be made within the prescribed three-month period. If the woman was unable to complain because of serious circumstances, the Committee may consider an extension in accordance with the Act.

2.1.4.16 Conciliation

Before starting an inquiry, the Internal Committee or Local Committee may, at the request of the aggrieved woman, attempt to settle the matter through conciliation. However, monetary settlement cannot be the basis of such conciliation.

Example: If a woman requests conciliation and both parties agree to a non-monetary resolution, the Committee may attempt conciliation. However, the matter cannot be settled simply by offering the woman money.

2.1.4.17 Inquiry into the Complaint

If the matter is not resolved through permitted conciliation, the Committee conducts an inquiry in accordance with the Act and applicable service rules. Both parties are given an opportunity to present their case and provide relevant information or evidence.

Example: If an employee alleges that her manager sent inappropriate messages, the Committee may examine the messages, hear the complainant and respondent, and consider statements from relevant witnesses.

2.1.4.18 Powers of the Internal Committee

During an inquiry, the Committee has powers similar to those of a civil court in relation to certain matters, such as requiring the attendance of persons and examining

them on oath, requiring discovery and production of documents, and other prescribed matters.

Example: If a colleague witnessed the alleged incident, the Committee may require the person to appear and provide relevant evidence during the inquiry.

2.1.4.19 Principles of Natural Justice

The inquiry process is required to follow the principles of natural justice. The person against whom the complaint is made must have an opportunity to know the allegations and present a response, while the complainant must also have a fair opportunity to present her case.

Example: If an employee is accused of sending inappropriate messages, the Committee should not decide the case without giving the respondent an opportunity to respond to the allegations.

2.1.4.20 Confidentiality

The Act contains provisions protecting the confidentiality of information relating to the complaint, inquiry and identities of the parties and witnesses, subject to the statutory provisions.

Example: A company should not circulate an email identifying the complainant and publishing details of the allegations to all employees.

2.1.4.21 Interim Relief

During the pendency of an inquiry, the Internal Committee may recommend certain interim measures at the request of the aggrieved woman, as permitted by the Act. These can include transferring the woman or the respondent, granting leave to the woman, or providing other appropriate relief within the statutory framework.

Example: If the complainant and respondent work directly together and the situation is causing serious difficulty during the inquiry, the Committee may recommend an appropriate temporary workplace arrangement permitted under the Act.

2.1.4.22 Action After Inquiry

After completing the inquiry, the Committee prepares its findings and makes recommendations in accordance with the Act. Where the allegation is proved, appropriate action may be recommended under the applicable service rules and the provisions of the Act.

Example: If the Committee concludes after inquiry that an employee committed sexual harassment, it may recommend disciplinary action in accordance with the applicable service rules.

2.1.4.23 Compensation to the Aggrieved Woman

The Act allows compensation to be determined in accordance with prescribed factors in appropriate cases. Factors can include the mental trauma, pain, suffering and emotional distress caused to the woman, loss of career opportunity, medical expenses and the respondent's financial position, among other relevant factors specified by law.

Example: If sexual harassment results in significant medical expenses and loss of employment-related opportunities, these factors may be considered when determining compensation in accordance with the Act.

2.1.4.24 False or Malicious Complaints

The Act contains provisions concerning malicious complaints or false evidence. However, merely failing to prove a complaint does not automatically mean that the complaint was false or malicious. Action under this provision requires the conditions specified by the Act to be satisfied.

Example: If a woman makes a genuine complaint but the Committee cannot establish the allegation because there is insufficient evidence, that fact alone does not mean that she has made a malicious complaint.

2.1.4.25 Duties of the Employer

The employer has several statutory duties, including providing a safe workplace, displaying information about sexual harassment and the consequences of sexual harassment, conducting awareness programmes, providing facilities for the Internal Committee and assisting with inquiries.

Example: A company can conduct an annual POSH awareness session explaining what constitutes sexual harassment, how employees can complain and the role of the Internal Committee.

2.1.4.26 Awareness and Training

Employers are required to organise workshops and awareness programmes for employees and orientation programmes for members of the Internal Committee. The purpose is to educate employees about prohibited conduct and the complaint mechanism.

Example: A company may conduct a yearly training session explaining inappropriate workplace behaviour and demonstrating how an employee can approach the Internal Committee.

2.1.4.27 Display of Information

The employer must display prominently at the workplace information about the penal consequences of sexual harassment and the order constituting the Internal Committee, including the names and contact details of its members as required.



Example: A company may place a POSH notice on its employee information board stating whom employees can contact to make a complaint and providing the required Committee information.

2.1.4.28 Annual Report

The Internal Committee or Local Committee is required to prepare an annual report containing the information prescribed under the Act. The employer and the appropriate government authority are required to receive the relevant information in accordance with the Act and rules.

Example: The Internal Committee may report the number of complaints received, the number disposed of and other required information for the relevant year.

2.1.4.29 Penalty for Non-Compliance by Employer

The Act provides penalties for an employer who fails to comply with certain statutory obligations, such as failure to constitute the Internal Committee or failure to take required action under the Act. The Act also provides consequences for repeated violations.

Example: If a covered company repeatedly refuses to establish the required Internal Committee, it may face the statutory consequences prescribed under the Act.

2.1.4.30 Role of the Internal Committee in Simple Terms

The Internal Committee acts as the organisation's formal mechanism for dealing with workplace sexual-harassment complaints. Its role includes receiving complaints, conducting inquiries, maintaining confidentiality, making findings and recommending appropriate action or relief as provided by law.

Example: An employee complains that her manager has been sending sexually inappropriate messages. The Internal Committee receives the complaint, conducts the required process and makes recommendations based on its findings.

2.1.4.31 Protection Against Retaliation

The Act's framework is designed to ensure that a woman can raise a complaint without the complaint process itself becoming a means of further harassment. Interim measures and other protections under the Act can be relevant where workplace circumstances require them.

Example: If a woman complains against her supervisor, the employer should not respond by threatening her with dismissal merely because she made a complaint. Any employment action must comply with applicable law and service rules.

2.1.4.32 Importance of the Act

The POSH Act is important because it creates a formal legal framework for preventing and addressing sexual harassment at workplaces. It places duties on employers, establishes complaint mechanisms and provides procedures for inquiry and redressal. It also recognises that workplace sexual harassment can occur in different forms and in different locations connected with employment.

Example: A woman may experience harassment not only inside her office but also during a work-related conference, business trip or company-provided transportation. Depending on the circumstances, such conduct can fall within the Act's broad workplace framework.

2.1.5 The Child and Adolescent Labour (Prohibition and Regulation) Act, 1986

The Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 is an important Indian labour-welfare legislation intended to protect children and adolescents from exploitation and hazardous employment. The Act was originally known as the Child Labour (Prohibition and Regulation) Act, 1986 and was substantially amended in 2016. The amendment changed the name of the law and strengthened the prohibition on employment of children while introducing specific provisions relating to adolescents.

2.1.5.1 Objective of the Act

The main objective of the Act is to prohibit the employment of children in all occupations and processes, subject to the limited exceptions provided by law, and to prohibit the employment of adolescents in hazardous occupations and processes. It also regulates the conditions of work of adolescents in permitted non-hazardous employment.

Example: A restaurant owner cannot employ a 12-year-old child as a waiter. Similarly, a 16-year-old adolescent cannot be employed in a hazardous process such as certain dangerous manufacturing operations covered by the law.

2.1.5.2 Meaning of Child

Under the amended law, a child means a person who has not completed 14 years of age, or such age as may be specified in the Right of Children to Free and Compulsory Education Act, 2009, whichever is more. The law therefore provides protection to children from employment.

Example: A 13-year-old child cannot ordinarily be employed as a shop assistant, factory worker or domestic worker because the person has not completed the legally prescribed age.



2.1.5.3 Meaning of Adolescent

An adolescent means a person who has completed 14 years of age but has not completed 18 years of age.

Example: A person who is 16 years old is an adolescent under the Act. Such a person may work in permitted employment but cannot be employed in hazardous occupations or processes covered by the Act.

2.1.5.4 Prohibition of Employment of Children

The Act generally prohibits the employment of children in all occupations and processes. This is one of the most important provisions introduced and strengthened through the 2016 amendment.

Example: A shopkeeper cannot employ a 12-year-old child to work every day at the shop, even if the child is willing to work.

2.1.5.5 Exception for Helping the Family

The Act contains a limited exception under which a child may help his or her family or family enterprise after school hours or during vacations, subject to the conditions specified by the law. The exception does not permit children to be engaged in hazardous occupations or processes and is subject to the statutory restrictions.

Example: A 13-year-old child may, within the legally permitted conditions, help parents in their family business after school hours. However, the child cannot be made to work in a hazardous process merely because it is a family business.

2.1.5.6 Exception for Artistic Work

The law permits children to participate in certain audio-visual entertainment or sports activities, subject to the statutory conditions and safeguards. The employment must not adversely affect the child's education and development.

Example: A 13-year-old child may act in a television programme or participate in a sports activity under the conditions prescribed by law, provided the child's education and safety are protected.

2.1.5.7 Prohibition of Adolescents in Hazardous Occupations

The Act prohibits the employment of adolescents between 14 and 18 years of age in hazardous occupations and processes specified under the law.

Example: A 16-year-old adolescent cannot legally be employed in a hazardous mining-related activity covered by the prohibited category.

2.1.5.8 Hazardous Occupations and Processes

The Act identifies certain occupations and processes as hazardous for adolescents. The Schedule to the Act specifies the relevant hazardous activities, and the government has powers relating to the modification of the Schedule in accordance with the law.

Example: If a particular industrial process involves serious risks from dangerous machinery or hazardous substances and is included in the applicable Schedule, an adolescent cannot be employed in that process.

2.1.5.9 Regulation of Working Conditions of Adolescents

Although adolescents may work in permitted non-hazardous occupations, their employment is subject to regulation. The Act contains provisions concerning their working conditions, including working hours, rest intervals and weekly holidays.

Example: A 16-year-old working in a permitted non-hazardous establishment cannot simply be required to work continuously for excessively long hours without the rest and other protections prescribed by law.

2.1.5.10 Working Hours of Adolescents

An adolescent employed in a permitted occupation cannot be required to work beyond the limits prescribed by the Act. The law regulates the duration of work and provides for appropriate rest intervals.

Example: If an adolescent is legally employed in a permitted shop, the employer must follow the statutory restrictions on the adolescent's daily working hours rather than requiring the person to work throughout the day without adequate rest.

2.1.5.11 Weekly Holiday

The Act provides for a weekly holiday for adolescents employed in permitted occupations.

Example: If a 16-year-old is legally employed in a permitted workplace, the employer must provide the weekly day of rest required under the applicable provisions rather than requiring the adolescent to work every day.

2.1.5.12 Health and Safety

Employers must provide appropriate health and safety protections for adolescents who are legally employed in permitted occupations. The workplace should not expose them to prohibited hazards or unsafe conditions.

Example: If an adolescent works in a permitted office environment, the employer must maintain a safe workplace and should not assign the adolescent dangerous tasks involving prohibited machinery or hazardous substances.



2.1.5.13 Notice to Inspector

The Act contains provisions requiring employers of adolescents in permitted establishments to provide prescribed notice or information regarding the employment to the appropriate authority.

Example: If a business legally employs an adolescent, the employer may be required to provide the prescribed details of the employment to the relevant authority in the manner required by the applicable rules.

2.1.5.14 Maintenance of Registers and Records

Employers are required to maintain prescribed registers and records relating to adolescents employed in their establishments. These records help authorities verify compliance with the Act.

Example: An employer who legally employs a 16-year-old may be required to maintain records containing the adolescent's name, date of birth, nature of employment and other prescribed details.

2.1.5.15 Inspection

The Act provides for inspection and enforcement mechanisms to ensure compliance. Inspectors and other authorised officials can take steps permitted by law to determine whether children or adolescents are being employed in violation of the Act.

Example: An inspector may visit a workshop after receiving information that a 13-year-old child is working there and investigate whether the establishment is violating the Act.

2.1.5.16 Penalties for Employing a Child

The Act provides strict penalties for an employer who employs a child in violation of the prohibition. The penalties include imprisonment and fines as prescribed by law, with enhanced consequences for repeat offences.

Example: If a factory owner knowingly employs a 12-year-old child in prohibited employment, the owner can face the criminal penalties provided under the Act.

2.1.5.17 Penalties for Employing an Adolescent in Hazardous Work

An employer who employs an adolescent in a hazardous occupation or process prohibited by the Act can also be punished.

Example: If a 17-year-old is employed in a hazardous industrial process included in the prohibited category, the employer may face the penalties prescribed under the Act.

2.1.5.18 Punishment for Repeat Offences

The Act provides more serious punishment for repeat offences involving prohibited child or adolescent employment.

Example: If an employer has already been convicted for illegally employing a child and subsequently commits another similar offence, the employer can face enhanced punishment under the Act.

2.1.5.19 Responsibility of Parents or Guardians

The Act recognises that parents or guardians may sometimes be involved in permitting children to work. However, the law does not treat parents and employers in exactly the same manner, and statutory exceptions and conditions apply. The primary focus is on preventing employers from exploiting children.

Example: If a child is found working illegally in a commercial establishment, the employer may be prosecuted. A parent who permits a child to assist in a legally permitted family activity is treated differently from an employer who employs the child in prohibited work.

2.1.5.20 Rehabilitation of Rescued Children

The legal framework also provides for measures relating to the rehabilitation of children who are withdrawn from prohibited employment, including financial support through the statutory rehabilitation mechanism and other applicable government schemes.

Example: If a 13-year-old child is rescued from illegal employment, the child can be removed from the workplace and supported through appropriate rehabilitation and educational measures.

2.1.5.21 Child and Adolescent Labour Rehabilitation Fund

The Act provides for a Child and Adolescent Labour Rehabilitation Fund. Where an employer is fined for violating the Act, the amount recovered can be credited to the Fund, and the government also makes the prescribed contribution for the rehabilitation of rescued children.

Example: If an employer is fined after illegally employing a child, the prescribed amount may be credited to the Rehabilitation Fund and used for measures intended to support the child's rehabilitation.

2.1.5.22 Importance of Education

The Act works together with India's broader legal framework concerning free and compulsory education. The prohibition on child employment is intended to help ensure that children remain in school rather than being pushed into employment.

Example: Instead of a 12-year-old spending the entire day working in a roadside shop, the child should be able to attend school and receive education.



2.1.5.23 Family Enterprise Exception — Important Limitation

The family-enterprise exception should not be understood as a general permission to employ children. The work must satisfy the statutory conditions, occur within the permitted circumstances and must not involve hazardous occupations or processes. The child's education must also not be adversely affected.

Example: A child helping parents with a small family activity after school may fall within the statutory exception, but making the child work for eight hours every day instead of attending school would not be justified merely by calling it a family enterprise.

2.1.5.24 Artistic and Sports Activities — Important Limitation

The artistic-work exception is also subject to safeguards. Participation in films, television, advertisements, sports or similar activities must comply with the prescribed conditions and must not interfere with the child's education, health or safety.

Example: A 13-year-old acting in a television advertisement may be permitted subject to the applicable legal safeguards, but the production cannot simply ignore the child's schooling or expose the child to dangerous working conditions.

2.1.5.25 Role of Employers

Employers have the responsibility to ensure that they do not employ children in violation of the Act and do not employ adolescents in prohibited hazardous occupations or processes. They must also comply with the prescribed requirements when adolescents are legally employed.

Example: Before hiring a young worker, an employer should verify the worker's age and ensure that the proposed work is legally permitted for that age group.

2.1.5.26 Importance of Age Verification

Since the legal restrictions depend on whether a person is a child or adolescent, determining the worker's age is important. Employers should maintain appropriate age-related documents and records as required by law.

Example: If an employer wants to hire a 16-year-old, the employer should verify the person's age using appropriate documents rather than simply relying on the person's statement.

2.1.5.27 Relation with Other Laws

The Child and Adolescent Labour Act operates alongside other laws dealing with children, education, trafficking, juvenile protection and workplace safety. These laws collectively seek to protect children from exploitation and ensure their development and education.

Example: If a child is rescued from illegal employment, the authorities may need to consider not only the child-labour law but also laws relating to education, child protection and rehabilitation.

2.1.5.28 Importance of the Act

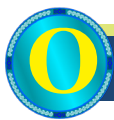
The Act is important because children are particularly vulnerable to exploitation, unsafe working conditions and loss of educational opportunities. By generally prohibiting child employment and restricting adolescents from hazardous work, the legislation seeks to protect children's health, safety, education and development.

Example: A child who would otherwise spend the entire day working in a hazardous workshop can instead remain in school and receive education, while an adolescent can be protected from particularly dangerous forms of employment.



Recap

- ◇ The Factories Act, 1948, protects factory workers by regulating health, safety, welfare, working hours, and working conditions. It requires employers to provide safe workplaces and essential welfare facilities such as sanitation, drinking water, first aid, canteens, and crèches.
- ◇ Contract Labour (Regulation and Abolition) Act, 1970, regulates the employment of contract labour through registration of establishments and licensing of contractors. It provides for wages, welfare facilities, and suitable working conditions for contract workers.
- ◇ Building and Other Construction Workers Act, 1996, regulates the employment, health, safety, and welfare conditions of construction workers. It provides welfare and social security measures to protect construction workers from occupational risks and unsafe conditions.
- ◇ Sexual Harassment of Women at Workplace Act, 2013, aims to prevent, prohibit, and redress sexual harassment of women at the workplace. It requires covered workplaces to establish appropriate mechanisms, including an Internal Committee, for handling complaints.
- ◇ Child and Adolescent Labour Act, 1986, prohibits child labour in accordance with its provisions and restricts adolescents from working in specified hazardous occupations and processes. It aims to protect children and adolescents from exploitation and unsafe working conditions while safeguarding their health, education, and development.



Objective Questions

1. What does the Factories Act, 1948 primarily deal with?
2. In which year was the Contract Labour (Regulation and Abolition) Act enacted?
3. Who are mainly protected under the BOCW Act, 1996?
4. In which year was the POSH Act enacted?
5. What is the main purpose of the POSH Act, 2013?
6. In which year was the Child and Adolescent Labour Act originally enacted?
7. Under the Child and Adolescent Labour law, what is the age range generally covered by the term “adolescent”?
8. What is the name of the committee constituted by a covered employer under the POSH Act to deal with workplace sexual-harassment complaints?
9. Which Act provides welfare measures specifically for building and construction workers?
10. Which Act generally prohibits the employment of children, subject to limited statutory exceptions?



Answers

1. The Factories Act, 1948 protects the health, safety and welfare of factory workers.
2. The Contract Labour Act was enacted in 1970.
3. The BOCW Act, 1996 mainly protects construction workers.
4. The POSH Act was enacted in 2013.
5. The POSH Act aims to prevent and redress sexual harassment of women at the workplace.
6. The Child and Adolescent Labour Act was originally enacted in 1986.
7. An adolescent is generally a person aged 14 years but below 18 years.

8. The committee is called the Internal Committee.
9. The BOCW Act, 1996 provides welfare measures for construction workers.
10. The Child and Adolescent Labour Act, 1986 generally prohibits child employment, subject to limited exceptions.



Self - Assessment Questions

1. Analyse the role of the Factories Act, 1948 in promoting occupational health, safety, and worker welfare.
2. Discuss the major provisions of the Contract Labour (Regulation and Abolition) Act, 1970, with special reference to the regulation and welfare of contract workers.
3. Explain the health, safety, and welfare provisions provided under the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996.
4. Discuss the objectives and major provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.
5. Illustrate how the provisions of the Child and Adolescent Labour Act, 1986 can be applied to prevent the exploitation of young workers.



Assignments

1. Explain the main objectives, scope and important provisions of the Factories Act, 1948.
2. Discuss the role and responsibilities of the principal employer and contractor.
3. Discuss the important provisions of the Building and Other Construction Workers' (Regulation of Employment and Conditions of Service) Act, 1996.
4. Discuss the role and functions of the Internal Committee in handling complaints.
5. Explain the main provisions of the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986.



6. Compare the Factories Act, 1948, Contract Labour Act, 1970 and BOCW Act, 1996 with regard to the protection of workers, safety measures, welfare facilities and working conditions.
7. Discuss the importance of labour welfare legislation in India with reference to the POSH Act, 2013 and Child and Adolescent Labour Act, 1986.



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SGOU



Unit - 2

Laws on Wages



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ understand the objectives and key provisions of the Payment of Wages Act, 1936
- ◇ explain the importance of the Minimum Wages Act, 1948 in ensuring fair and adequate wages for workers
- ◇ understand the purpose and provisions of the Payment of Bonus Act, 1965
- ◇ explain the principles of equal pay and non-discrimination under the Equal Remuneration Act, 1976
- ◇ develop awareness of workers' rights relating to timely payment, minimum wages, bonus and equal remuneration
- ◇ analyze the role of wage-related labour legislation in preventing exploitation and promoting social justice
- ◇ apply the provisions of these labour laws to practical workplace situations and understand their importance in promoting fair employment practices



Prerequisite

Asiad Workers' Case

During the construction work undertaken for the 1982 Asian Games in Delhi, workers employed through contractors were allegedly paid wages below the minimum rates prescribed by law. The People's Union for Democratic Rights (PUDR) investigated the working conditions and brought the matter before the Supreme Court of India. The case raised an important question regarding whether payment of wages below the legally prescribed minimum wage could amount to exploitation of labour. The Supreme Court emphasized that payment of less than the minimum wage was not merely a violation of labour legislation but could also constitute forced labour prohibited under Article 23 of the Constitution of India.

The judgment highlighted the importance of minimum wage legislation in protecting vulnerable workers, particularly those employed through contractors and in the unorganised sector. The Court made it clear that an employer cannot justify payment below the statutory minimum wage by relying on the worker's consent, financial difficulties, or the nature of the employment arrangement. The case therefore demonstrates the relationship between the concept of wages, minimum wage protection, legal regulation of wage payments, prevention of exploitation, and constitutional protection of workers. It also illustrates the broader objective of wage legislation in ensuring fair remuneration and promoting social justice in employment. This unit focuses on the concept of wages, the legal framework governing wage payments in India, the objectives of wage regulation, and the role of minimum wage legislation in preventing exploitation and protecting workers' rights.



Keywords

Wages, Remuneration, Bonus, Deductions, Compliance, Social Security, Exploitation



Discussion

Labour wage legislation in India provides a legal framework for ensuring fair, timely, and equitable payment to employees. The Payment of Wages Act, 1936 regulates the timely payment of wages and seeks to prevent unauthorized deductions, while the Minimum Wages Act, 1948 provides for the fixation and revision of minimum rates of wages for eligible employees. The Payment of Bonus Act, 1965 provides for the payment of statutory bonus to eligible employees based on prescribed conditions, and the Equal Remuneration Act, 1976 aimed to ensure equal remuneration for men and women performing the same or similar work and prevent discrimination on the ground of sex in employment. Together, these laws seek to promote wage security, fair remuneration, employee welfare, and economic justice in the workplace.

2.2.1 Concept of Wage

- ◇ Wage is the monetary or monetary-equivalent compensation paid by an employer to a worker or employee for work performed or services rendered.
- ◇ It is one of the most important elements of the employment relationship because it provides the worker with income for meeting personal and family needs.
- ◇ Wages may include basic pay and other legally or contractually payable components, depending on the nature of employment and the applicable law.



- ◇ The legal meaning of wages may differ from the ordinary meaning of salary or remuneration because different labour laws may define wages differently.
- ◇ The concept of wages has gradually developed from a simple payment for labour into a broader concept connected with fairness, dignity, social justice and economic security.

Example: If a machine operator receives ₹20,000 per month for performing manufacturing work, that payment represents remuneration for the work performed.

2.2.1.1 Evolution of the Concept of Wage in India

The concept of wages in India has developed alongside the growth of industrialisation, labour movements and social welfare legislation. In the earlier period, wages were largely determined by agreements between employers and workers and were strongly influenced by market conditions. Workers often had limited bargaining power and could be vulnerable to delayed payments, arbitrary deductions and very low wages. The development of labour legislation gradually established minimum standards and protections for workers. The modern concept of wages therefore combines contractual, statutory, economic and social dimensions.

Example: The progression from the Payment of Wages Act, 1936 to the Code on Wages, 2019 shows how wage regulation has moved towards a more consolidated and comprehensive system.

2.2.1.2 Components of Wages

An employee's total remuneration may consist of several different components. The structure of remuneration differs between organisations, industries and categories of employment. Basic pay normally forms an important part of the wage structure, while allowances may be provided for specific purposes. Bonuses and incentives may provide additional payments depending upon statutory requirements, employment contracts or organisational policies. However, the fact that an amount appears on a salary slip does not automatically determine whether it is legally included in "wages" under a particular statute.

2.2.2 Payment of Wages Act, 1936

The Payment of Wages Act, 1936 is now a historical/earlier wage statute. With the Labour Codes coming into force on 21 November 2025, its relevant provisions have been consolidated into the Code on Wages, 2019.

2.2.2.1 Background and Purpose

The Payment of Wages Act, 1936 was introduced to protect workers against delayed payment of wages and unauthorised deductions. During the early period of industrialisation, workers often had limited bargaining power and could face delays or improper deductions from their earnings. The Act established legal rules regarding

the payment of wages and provided remedies when employers failed to comply. Its central idea was that a worker should receive the wages earned through his or her labour regularly, correctly and within the prescribed period.

Example: If an employer deliberately delayed an employee's wages every month without lawful justification, the Act provided a legal basis for the worker to seek a remedy.

2.2.2.2 Historical Importance of the Act

The Act was one of India's important early labour-protection laws. Before such legislation, wage payment was often governed mainly by employment arrangements, leaving workers vulnerable to unfair practices. The Act introduced statutory controls over the time, manner and deductions relating to wage payment. It therefore became an important foundation for later developments in Indian wage legislation.

Example: A factory worker who previously had little protection against arbitrary deductions gained statutory protection once the Act became applicable to the establishment.

2.2.2.3 Scope and Application

Historically, the Payment of Wages Act applied to specified categories of employees and establishments covered by the statute, including certain factories, railways and other establishments. Its application was also subject to the wage ceiling and other conditions prescribed from time to time. The scope of the Act was subsequently amended as India's employment structure changed. Today, however, students should distinguish its historical scope from the broader application of the Code on Wages, 2019.

Example: A worker employed in a covered industrial establishment could claim the protections relating to timely wage payment and lawful deductions under the Act when it applied to that employment.

2.2.2.4 Time and Mode of Payment

One of the major contributions of the Act was to establish rules concerning when wages should be paid. It also recognised permitted methods of payment, including payment in currency or coin and, as the law developed, payment by cheque or credit to a bank account. These provisions reduced uncertainty and helped workers receive their earnings in a verifiable form. The present Code on Wages continues the basic principle that wages must be paid according to legally prescribed requirements.

Example: Instead of an employer keeping a worker's wages for an indefinite period, the law required payment within the prescribed wage period and time limit.

2.2.2.5 Regulation of Deductions

The Act was particularly important because it restricted unauthorised deductions from wages. An employer could not simply deduct any amount from a worker's wages



according to personal discretion; deductions had to fall within the categories permitted by law and satisfy the applicable conditions. This protection was essential because even a small unlawful deduction could significantly affect a low-paid worker's household income. The principle continues under the Code on Wages, 2019.

Example: If an employer deducted money from an employee's wages as an arbitrary punishment without legal authority, the deduction could be challenged.

2.2.2.6 Wage Records and Transparency

The wage-payment framework required employers to maintain appropriate registers, records and wage-related information. Proper documentation makes it easier to establish the amount earned, deductions made and amount actually paid to a worker. Such records are also useful during inspections and wage disputes. In the present digital environment, accurate electronic records and bank-payment records have made wage transactions easier to verify, although employers must still comply with applicable record-keeping requirements.

Example: If an employee claims that ₹20,000 was due but only ₹17,000 was paid, wage records and payment records can help determine whether a deduction was lawful.

2.2.2.7 Remedies for Delayed or Improper Payment

The Act provided mechanisms through which workers could seek recovery of amounts wrongfully withheld or deducted. This was important because a wage law would have limited value if employees had no practical method of enforcing their rights. Authorities were given powers under the legislation to deal with claims and violations. Under the present framework, wage-related claims and enforcement are governed principally by the Code on Wages, 2019 and applicable rules.

Example: If an employer failed to pay the legally due wages, an eligible worker could use the statutory claims mechanism to seek recovery.

2.2.2.8 Penalties and Enforcement

The Act contained provisions for penalties where employers violated its requirements. Penalties were intended to discourage practices such as unlawful deductions and failure to pay wages within the prescribed period. Enforcement also depended upon inspection, records and workers bringing claims when violations occurred. The present Code on Wages retains a structured system of claims, inspection and penalties, although the applicable provisions are now found in the current Code-based framework.

Example: An employer who repeatedly violated statutory wage requirements could face legal action and the applicable penalty under the law.

2.2.2.9 Importance for Industrial Relations

Timely and accurate wage payment contributes significantly to industrial peace and good employer-employee relations. Wage disputes can create dissatisfaction,

complaints and industrial unrest, particularly where workers depend entirely on regular wages for household expenses. By establishing clear rules, the Payment of Wages Act helped reduce uncertainty regarding wage payments. Its underlying principle remains relevant under the modern wage framework.

Example: When employees receive their correct wages on the expected date, there is less likelihood of disputes arising from delayed or unexplained payments.

2.2.2.10 Digital and Modern Wage Payments

The method of paying wages has changed significantly since 1936. Modern workplaces increasingly use bank transfers, electronic payment systems and digital payroll platforms rather than cash payments. The basic legal principle, however, remains unchanged: workers should receive the amount lawfully due to them in a timely and transparent manner. The Code on Wages, together with applicable rules, provides the contemporary framework within which wage payments are regulated.

Example: A company may transfer an employee's monthly salary directly into the employee's bank account, while maintaining an electronic salary statement showing the basic wage and permitted deductions.

2.2.2.11 Transition to the Code on Wages, 2019

The most important point is that the Payment of Wages Act is no longer the principal standalone legislation governing wage payments. Its relevant provisions have been consolidated into the Code on Wages, 2019, along with provisions from the Minimum Wages Act, Payment of Bonus Act and Equal Remuneration Act. The Code provides a more unified framework covering minimum wages, payment of wages, deductions, bonus and gender-based non-discrimination. Therefore, we should understand the 1936 Act as the historical foundation, and the Code on Wages as the current central framework.

2.2.2.12 Overall Significance

The Payment of Wages Act, 1936 played a major role in developing the principle that workers are legally entitled to receive their earned wages regularly and without unlawful deductions. It contributed to greater transparency and accountability in wage administration and influenced the development of later labour legislation. Although its provisions have now been consolidated into the Code on Wages, its principles remain important for understanding the evolution of wage protection in India.

Example: A modern wage dispute involving delayed payment would now generally be examined under the applicable provisions of the Code on Wages rather than treating the Payment of Wages Act, 1936 as the current standalone statute.

2.2.3 Minimum Wages Act, 1948

The Minimum Wages Act, 1948 is now an important historical law for understanding the development of minimum-wage protection in India. Its relevant provisions have



been consolidated into the Code on Wages, 2019, which is part of the current Labour Code framework that came into force on 21 November 2025. Therefore, the 1948 Act should be studied mainly to understand its principles, historical contribution and transition to the present legal framework.

2.2.3.1 Meaning and Purpose of the Minimum Wages Act, 1948

The Minimum Wages Act, 1948 was enacted to protect workers from receiving extremely low wages. It was particularly important for workers who had weak bargaining power and were vulnerable to exploitation by employers. The Act enabled the appropriate government to prescribe minimum wage rates for employment covered by the legislation. Its broader purpose was to promote economic security, social justice and a basic standard of living for workers.

Example: If an agricultural worker was legally covered by a notified minimum wage of ₹500 per day, an employer could not lawfully pay the worker less than the applicable minimum wage.

2.2.3.2 Historical Importance of the Act

The Act was introduced shortly after India's independence when poverty, unemployment and unequal bargaining power were major social and economic concerns. At that time, many workers, particularly those in low-paid occupations, could be forced to accept very low wages simply because they had limited employment opportunities. The Act therefore represented an important shift from relying solely on individual employment contracts towards statutory protection of workers' wages. It became one of the foundations of India's wage-protection system.

Example: A worker in a low-paid industry could obtain statutory protection even if the worker did not have sufficient bargaining power to negotiate a higher wage individually.

2.2.3.3 Fixation of Minimum Wages

Under the original Act, minimum wages were fixed for scheduled employments, meaning employments listed under the Schedule to the Act. The appropriate government could fix different rates for different categories of workers, such as unskilled, semi-skilled and skilled workers. The wage-fixation process could consider factors such as the nature of work, cost of living and local economic conditions. Under the present Code on Wages, 2019, the minimum-wage framework is broader and is no longer based on the old concept of scheduled employment.

Example: A skilled worker may receive a higher statutory minimum wage than an unskilled worker because the skill level and nature of work are different.

2.2.3.4 Difference in Minimum Wages According to Area and Work

The 1948 Act recognised that economic conditions are not the same throughout India. The cost of living, prices, employment opportunities and economic conditions can differ

between States, districts, urban areas and rural areas. Therefore, different minimum wage rates could historically be fixed according to employment, skill, locality or other relevant factors. The present Code continues to permit differentiation in minimum wage rates based on legally relevant factors.

Example: The minimum wage applicable to a construction worker in a major metropolitan area may differ from the rate applicable to a similar category of worker in another geographical area, depending on the applicable notification and legal criteria.

2.2.3.5 Revision of Minimum Wages

The Minimum Wages Act required minimum wages to be reviewed and revised at appropriate intervals, with the statutory requirement that the interval between revisions should not exceed five years. Revision was important because inflation and changes in the cost of living could reduce the real value of a fixed wage. The present Code on Wages also provides for periodic review or revision of minimum wages as prescribed by law. Regular revision helps ensure that minimum wages remain relevant to changing economic conditions.

Example: If food, housing and transport costs rise substantially, the government may revise the applicable minimum wage to reflect the changed economic circumstances.

2.2.3.6 Judicial Interpretation and Protection of Workers

Indian courts have played an important role in interpreting minimum-wage legislation and explaining its relationship with worker protection and social justice. A particularly important Supreme Court decision is *Unichoyi v. State of Kerala* (1962), where the Court upheld the constitutional validity of minimum-wage legislation and recognised the protective character of minimum wages. The case is useful for understanding that minimum-wage fixation is not simply an ordinary matter of private bargaining between an employer and an employee.

Example: If an employer argues that a worker voluntarily agreed to accept a wage below the statutory minimum, the statutory minimum cannot ordinarily be defeated merely by such an agreement.

2.2.3.7 Enforcement and Compliance

The effectiveness of minimum-wage legislation depends on proper enforcement. Employers must comply with the applicable wage rates and maintain the records required under the relevant legal framework. Workers who are paid less than the legally applicable minimum can use the statutory claims and enforcement mechanisms available under the current law. The Code on Wages, 2019 provides the contemporary framework for claims, inspection and penalties relating to wage violations.

Example: If a contractor pays construction workers less than the applicable minimum wage, the workers may approach the appropriate statutory authority to claim the amount legally due to them.



2.2.3.8 Importance for Unorganised and Low-Paid Workers

Minimum-wage protection is particularly important for workers in sectors where employment is informal or bargaining power is weak. Historically, agriculture, construction and several other low-paid occupations have raised concerns regarding wage exploitation and effective enforcement. The present framework seeks to provide wider minimum-wage protection than the old scheduled-employment approach. However, the actual benefit to workers depends heavily on awareness, enforcement and compliance.

Example: A daily-wage construction worker may have little power to negotiate individually with a contractor, making the statutory minimum wage an important legal safeguard.

2.2.3.9 Digital Payments and Modern Wage Administration

Modern technology has changed the way wages are calculated, recorded and paid. Employers increasingly use bank transfers, electronic payroll systems and digital records, which can make wage payments easier to monitor and verify. Digital records can also help workers prove the amount they were paid when a dispute arises. However, digital payment itself does not guarantee compliance; the employer must still pay at least the legally applicable wage and follow all relevant requirements.

Example: A construction company may transfer a worker's wages directly to the worker's bank account and maintain an electronic record showing the number of days worked and the amount paid.

2.2.3.10 Transition to the Code on Wages, 2019

The most important point is that the Minimum Wages Act, 1948 is no longer the principal standalone legislation governing minimum wages. Its provisions have been consolidated into the Code on Wages, 2019, along with provisions of the Payment of Wages Act, Payment of Bonus Act and Equal Remuneration Act. The Code introduces a broader minimum-wage framework and provides for a floor wage to be fixed by the Central Government, subject to the statutory provisions. Thus, the 1948 Act should be remembered as the historical foundation, while the Code on Wages is the key current legislation.

2.2.4 Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 represents a significant milestone in wage legislation. Its statutory bonus provisions have been incorporated into Chapter IV of the Code on Wages, 2019, which now forms part of the unified Labour Code framework. Thus, the 1965 Act is essential for tracing the historical evolution of bonus laws, while the Code on Wages, 2019 serves as the authoritative reference for the current legal structure.

2.2.4.1 Purpose and Importance of the Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 was introduced to provide eligible employees with a statutory bonus linked to the financial performance of an establishment and the statutory formula prescribed by law. The idea was that employees should receive a share of the economic benefits generated by the organisation, rather than relying entirely on their regular wages. The Act also aimed to promote industrial harmony by creating a clear legal framework for bonus payments. Historically, it became an important part of India's wage-protection system.

Example: If an eligible employee works in an establishment covered by the bonus legislation and satisfies the statutory conditions, the employee may be entitled to bonus even if the employer has not voluntarily promised a bonus.

2.2.4.2 Eligibility and Calculation of Bonus

Under the historical Act, bonus was payable to eligible employees subject to conditions relating to coverage, salary or wage limits and minimum days of work. The calculation involved the employee's salary or wage and the statutory formula prescribed under the Act. The Act provided for a minimum bonus of 8.33% and a maximum bonus of 20%, subject to the statutory conditions and calculation rules. Under the present framework, the corresponding provisions are contained in Chapter IV of the Code on Wages, 2019, so current eligibility and calculation should be studied from the Code and applicable rules rather than applying the 1965 Act directly.

Example: An eligible employee who satisfies the statutory conditions may receive a bonus calculated according to the applicable statutory formula rather than an amount decided entirely at the employer's discretion.

2.2.4.3 Calculation of Available Surplus and Allocable Surplus

The historical Payment of Bonus Act contained a detailed method for calculating bonus. The calculation considered factors such as gross profits, depreciation, direct taxes and other permitted deductions before arriving at the amount available for distribution as bonus. The concept of available surplus and allocable surplus was central to the statutory calculation. These detailed provisions were designed to ensure that bonus was calculated according to a consistent legal formula rather than through arbitrary decisions by employers.

Example: If an establishment earns profits during an accounting year, the legally permitted deductions are first considered before determining the surplus relevant for statutory bonus calculation.

2.2.4.4 Judicial Decisions and Statutory Bonus

The courts have contributed significantly to the interpretation of bonus legislation. In *Jalan Trading Co. (Pvt.) Ltd. v. Mill Mazdoor Sabha* (1967), the Supreme Court considered important constitutional and legal questions concerning the Payment



of Bonus Act. Another significant decision, *Mumbai Kamgar Sabha v. Abdulbhai Faizullabhai* (1976), dealt with issues relating to bonus and the relationship between statutory bonus and other forms of bonus. These cases demonstrate that bonus law involves specific statutory rules concerning eligibility, calculation and entitlement, and students should examine the exact facts and ratio of each case rather than relying on general statements.

Example: If employees and management disagree about whether a payment is statutory bonus or some other form of bonus, the applicable statutory provisions and the facts of the particular case must be examined.

2.2.4.5 Present Legal Framework and Modern Bonus Administration

The Payment of Bonus Act, 1965 is no longer the principal standalone legislation governing statutory bonus. Its relevant provisions have been consolidated into Chapter IV of the Code on Wages, 2019. The present framework continues to regulate matters such as eligibility, calculation, payment and related claims, while modern payroll systems and digital records have made bonus calculations more transparent and easier to verify. Therefore, for examinations, remember the historical Act as the foundation of statutory bonus regulation and the Code on Wages, 2019 as the current central framework.

Example: A company may use an automated payroll system to calculate an employee's statutory bonus, but the calculation must still comply with the applicable provisions of the Code on Wages and the relevant rules.

2.2.5 Equal Remuneration Act, 1976

The Equal Remuneration Act, 1976 marked a key milestone in labour legislation. Its core provisions have since been absorbed into the Code on Wages, 2019, which has been in effect as part of the Labour Code framework from 21 November 2025. Consequently, the 1976 Act is primarily valuable for tracing the evolution of equal-pay protections, whereas the Code on Wages, 2019 provides the authoritative basis for the current legal framework.

2.2.5.1 Purpose and Historical Importance

The Equal Remuneration Act, 1976 was enacted to prevent discrimination between men and women in matters of remuneration. Its central principle was that men and women performing the same work or work of a similar nature should receive equal remuneration. The legislation reflected India's constitutional commitment to equality and its obligations under international labour standards. It was particularly important in addressing historical disadvantages faced by women in the labour market.

Example: If a male and female employee perform substantially the same duties, requiring similar skills, effort and responsibility, an employer should not pay the female employee less simply because of her gender.

2.2.5.2 Meaning of Equal Remuneration and Same or Similar Work

The Act historically covered remuneration beyond basic wages and sought to prevent employers from creating artificial differences in pay based on gender. The comparison of jobs was based on factors such as skill, effort, responsibility and working conditions, rather than merely comparing job titles. This was important because two employees may have different designations but still perform work that is substantially similar. Under the current Code on Wages, the principle has been retained through the prohibition of discrimination on the ground of gender in wages and remuneration.

Example: A company cannot avoid equal-pay requirements simply by giving a woman the designation “Assistant Officer” and a man the designation “Officer” if, in reality, their duties, responsibilities and working conditions are substantially the same.

2.2.5.3 Constitutional and International Basis

The principle of equal remuneration is supported by India’s constitutional commitment to equality and fair treatment. Article 14 provides equality before the law, while Article 15 prohibits discrimination on specified grounds, including sex, and Article 39(d) directs the State towards equal pay for equal work for both men and women. The principle is also associated with international labour standards, particularly the ILO Equal Remuneration Convention, 1951 (No. 100). Thus, equal remuneration is not merely an employment-policy issue but forms part of India’s broader commitment to workplace equality.

Example: If two employees perform work requiring comparable skill, effort and responsibility, wage differences should be based on legitimate factors such as experience or performance rather than gender.

2.2.5.4 Judicial Interpretation

Indian courts have played an important role in developing the principle of equal pay for equal work. A leading case is *Randhir Singh v. Union of India* (1982), in which the Supreme Court recognised equal pay for equal work as a constitutional goal flowing from the Directive Principles, particularly Article 39(d), and capable of being enforced in appropriate circumstances through the equality provisions of the Constitution. Another important decision is *Mackinnon Mackenzie & Co. Ltd. v. Audrey D’Costa* (1987), where the Supreme Court considered a claim of unequal remuneration between male and female employees and applied the principle underlying the Equal Remuneration Act.

Example: If a female employee establishes that she performs the same or similar work as a male employee but receives lower remuneration because of gender, she may rely on the applicable statutory and constitutional protections, subject to the facts of the case.



2.2.5.5 Records, Compliance and Enforcement

The historical Act required employers to maintain appropriate registers and records relating to employees and remuneration. Such records were important because authorities needed reliable information to determine whether men and women were being paid equally for comparable work. Under the present framework, employers must comply with the applicable requirements of the Code on Wages, 2019 and relevant rules, including requirements concerning records and wage-related information. Proper payroll records, digital salary systems and transparent job classifications can help employers identify and correct unjustified gender-based differences.

Example: An organisation can compare the salary, allowances and other remuneration of male and female employees performing comparable jobs by analysing its payroll records.

2.2.5.6 Present-Day Importance and Workplace Example

The principle of equal remuneration remains highly relevant because wage inequality can arise through differences in basic salary, allowances, incentives, bonuses or other employment benefits. However, not every difference in pay automatically amounts to unlawful discrimination; employers may have legitimate reasons for different remuneration, such as relevant experience, qualifications, performance or greater responsibility, provided these are applied lawfully and without prohibited gender discrimination. Modern organisations increasingly use HR information systems and payroll analytics to identify unexplained pay differences. The present legal framework therefore combines the historical principle of equal remuneration with contemporary approaches to transparency and non-discrimination.

Example: A company in Thiruvananthapuram, Kerala, employs two employees as customer-service executives. If both perform substantially the same work under comparable conditions, the company should not pay one employee less merely because that employee is a woman; any difference should be supported by a legitimate, non-discriminatory reason.

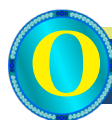
2.2.5.7 Transition to the Code on Wages, 2019

The most important point is that the Equal Remuneration Act, 1976 is no longer the principal standalone legislation governing equal remuneration. Its relevant provisions have been consolidated into the Code on Wages, 2019, which prohibits discrimination on the ground of gender in wages and remuneration for the same or similar work. The transition forms part of India's broader move from several separate wage statutes towards a consolidated Labour Code framework. Therefore, students should remember the 1976 Act as the historical foundation, while the Code on Wages is the key legislation for the current legal position.



Recap

- ◇ Payment of Wages Act, 1936: Ensures timely payment of wages and protects workers from unauthorized or unfair deductions.
- ◇ Minimum Wages Act, 1948: Provides for fixation and revision of minimum wages to protect workers from receiving wages below the prescribed minimum.
- ◇ Payment of Bonus Act, 1965: Provides for the payment of statutory bonus to eligible employees according to the prescribed conditions.
- ◇ Equal Remuneration Act, 1976: Promotes equal remuneration for men and women performing the same or similar work and aims to prevent gender-based discrimination in employment.
- ◇ Protection of Workers: These laws protect employees from wage exploitation and unfair employment practices.
- ◇ Fair Employment: The laws promote timely payment, adequate wages, bonus entitlement and equality in remuneration.
- ◇ Social Justice: Together, these laws contribute to fair wages, equality and social and economic justice for workers.



Objective Questions

1. What is the main purpose of the Payment of Wages Act, 1936?
2. In which year was the Minimum Wages Act enacted?
3. Which Act deals with the payment of bonus to eligible employees?
4. In which year was the Payment of Bonus Act enacted?
5. What is the main objective of the Equal Remuneration Act, 1976?
6. Which Act aims to prevent unauthorized deductions from workers' wages?
7. Which Act provides for the fixation of minimum rates of wages?
8. Which Act promotes equal pay for men and women for the same or similar work?
9. What is the main purpose of wage-related labour legislation?
10. Which four laws mainly deal with payment of wages, minimum wages, bonus and equal remuneration?





Answers

1. The Payment of Wages Act, 1936 ensures timely payment of wages and regulates deductions.
2. The Minimum Wages Act was enacted in 1948.
3. The Payment of Bonus Act, 1965 deals with the payment of bonus.
4. The Payment of Bonus Act was enacted in 1965.
5. The Equal Remuneration Act promotes equal pay and prevents gender-based discrimination.
6. The Payment of Wages Act, 1936 regulates unauthorized deductions from wages.
7. The Minimum Wages Act, 1948 provides for fixation of minimum wages.
8. The Equal Remuneration Act, 1976 promotes equal remuneration for men and women.
9. Wage legislation aims to protect workers from exploitation and promote fair wages.
10. The four laws are the Payment of Wages Act, Minimum Wages Act, Payment of Bonus Act and Equal Remuneration Act.



Self - Assessment Questions

1. Explain the objectives and main provisions of the Payment of Wages Act, 1936.
2. Discuss the importance of the Payment of Wages Act, 1936 in protecting workers from unauthorized deductions and delayed payment of wages.
3. Explain the objectives and major provisions of the Minimum Wages Act, 1948.
4. Discuss the importance of minimum wages in protecting workers from exploitation and ensuring fair remuneration.
5. Explain the objectives and important provisions of the Payment of Bonus Act, 1965.

6. Discuss the eligibility, payment and importance of bonus under the Payment of Bonus Act, 1965.
7. Explain the objectives and major provisions of the Equal Remuneration Act, 1976.
8. Discuss the principle of equal pay for equal work and its importance in promoting gender equality at the workplace.
9. Compare the Payment of Wages Act, Minimum Wages Act, Payment of Bonus Act and Equal Remuneration Act with reference to their objectives and worker protections.
10. Discuss how wage and remuneration laws promote fair employment practices, worker protection and social justice in India.



Assignments

1. Analyse the role of the Payment of Wages Act, 1936, in preventing unauthorised deductions and delays in the payment of wages.
2. Examine the provisions of the Minimum Wages Act, 1948, and analyse their role in protecting workers from unduly low wages.
3. Analyse the provisions of the Payment of Bonus Act, 1965, with reference to eligibility, calculation, payment, and the rights of employees.
4. Examine the provisions of the Equal Remuneration Act, 1976, and analyse their role in promoting equality in remuneration.
5. Analyse how the Payment of Wages Act, 1936, and Minimum Wages Act, 1948 together provide protection against delayed payment, unauthorised deductions, and inadequate wages.
6. Examine the relationship between the Minimum Wages Act, 1948, Payment of Bonus Act, 1965, and Equal Remuneration Act, 1976, in promoting fair and equitable remuneration.
7. Analyse the contribution of the Payment of Wages Act, Minimum Wages Act, and Payment of Bonus Act to the protection of employees' wage-related rights.
8. Critically examine how the four wage-related legislations collectively address timely payment, minimum wage protection, bonus entitlement, and equality in remuneration.



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Unit - 3

Social Security Legislation



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ understand the objectives, scope, and key provisions of major employee welfare and social security legislation in India
- ◇ explain the rights and benefits available to employees under the Employees' Compensation Act, ESI Act, EPF Act, and Payment of Gratuity Act
- ◇ identify the provisions relating to equal remuneration, maternity benefits, and protection against workplace-related financial risks
- ◇ describe the eligibility criteria, employer obligations, and employee entitlements under the relevant labour laws
- ◇ analyse the major amendments introduced through the Employees' Compensation (Amendment) Act, 2017 and Maternity Benefit (Amendment) Act, 2017
- ◇ apply the provisions of these Acts to practical workplace situations involving compensation, insurance, provident fund, gratuity, and maternity benefits
- ◇ evaluate the importance of labour welfare legislation in promoting social security, equality, employee protection, and decent working conditions



Prerequisite

A garment factory employed a large number of workers in its production and packaging sections. One of the workers suffered a serious injury while operating machinery during working hours and was unable to continue working for several months. The employer was required to consider the worker's entitlement to compensation for the employment-related injury and provide the benefits available under applicable social security legislation. The incident highlighted the importance of workplace safety and financial protection for employees facing employment-related injuries.

The organisation also had employees covered under schemes relating to medical care, provident fund, gratuity, and maternity benefits. An employee who completed the required period of service became eligible for gratuity on leaving employment, while eligible employees and employers made contributions towards provident fund and insurance benefits. A woman employee who became a mother was entitled to maternity leave and related benefits under the applicable provisions, including the enhanced maternity benefits introduced through the 2017 amendment. These measures helped employees and their families manage financial and social risks arising from illness, employment injury, retirement, and maternity.

The situation demonstrates how social security legislation provides financial assistance and employment-related protection during different stages of an employee's working life. The Employees' Compensation framework protects against employment injuries, the Employees' State Insurance system provides specified medical and cash benefits, provident fund provisions support long-term savings, gratuity provides a terminal benefit, and maternity legislation protects women employees during maternity. This unit focused on the role of social security legislation in providing financial, medical, employment, and family-related protection to employees.



Keywords

Labour Laws, Employee Compensation, Social Security, Equal Remuneration, Provident Fund, Gratuity, Maternity Benefits, Employee Insurance



Discussion

Social security legislation in India provides a legal framework for protecting employees against various social and economic risks arising during employment. The Employees' Compensation Act, 1923 and the Employees' Compensation (Amendment) Act, 2017 provide compensation for employment-related injury, disablement, and death, while the Equal Remuneration Act, 1976 addressed equality in remuneration for men and women for the same or similar work. The Employees' State Insurance Act, 1948 provides medical and cash benefits to eligible insured employees, and the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 provides provident fund and related social security benefits. The Payment of Gratuity Act, 1972 provides gratuity benefits to eligible employees, while the Maternity Benefit Act, 1961 and its 2017 amendment provide maternity-related protection and benefits to eligible women employees. Together, these legislations aim to promote employee welfare, social security, financial protection, equality, and decent working conditions.



2.3.1 Concept of Social Security Legislation

Social security legislation refers to the laws and legal provisions designed to protect employees and their families against economic and social risks arising from situations such as employment injury, illness, disability, maternity, old age, unemployment, and death. These laws ensure that workers receive financial assistance, medical care, compensation, and other welfare benefits when they face circumstances that affect their ability to earn a livelihood.

In India, social security legislation includes laws such as the Employees' State Insurance Act, 1948, Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Payment of Gratuity Act, 1972, Employees' Compensation Act, 1923, and Maternity Benefit Act, 1961. The main objective of these laws is to provide social and economic protection to employees, promote decent working conditions, reduce financial insecurity, and support the overall welfare and dignity of workers.

2.3.2 Employees' Compensation Act, 1923

The Employees' Compensation Act, 1923 is an important social security legislation in India that provides compensation to employees or their dependants in cases of employment-related injury, occupational disease, disablement, or death. The Act places responsibility on employers to provide financial compensation when an employee suffers harm arising out of and in the course of employment.

2.3.2.1 Objective of the Act

The main objective is to provide financial protection to employees who suffer injury, disability, or death because of their employment.

Example: A factory worker suffers a serious injury while operating a machine during working hours. The employee may be entitled to compensation under the Act.

2.3.2.2 Employment Injury

Compensation may be payable when an injury arises out of and in the course of employment.

Example: A construction worker falls from scaffolding while performing assigned duties at a construction site.

2.3.2.3 Death of an Employee

If an employee dies due to an employment-related accident, compensation may be payable to the eligible dependants.

Example: A mine worker dies in an accident while working underground. His eligible dependants may claim compensation.

2.3.2.4 Permanent Total Disablement

An employee who suffers an injury resulting in permanent and total loss of earning capacity may receive compensation according to the applicable provisions.

Example: A worker permanently loses the use of both hands due to a workplace accident.

2.3.2.5 Permanent Partial Disablement

Compensation may also be provided when an injury causes permanent but partial loss of earning capacity.

Example: A machine operator permanently loses one finger in an industrial accident, affecting his ability to perform certain tasks.

2.3.2.6 Temporary Disablement

An employee who is temporarily unable to work because of an employment injury may be entitled to periodic compensation, subject to the applicable conditions.

Example: A worker fractures his leg in a workplace accident and is medically advised not to work for several weeks.

2.3.2.7 Occupational Diseases

Certain diseases arising from the nature of particular employment may be treated as employment-related diseases under the Act.

Example: A worker employed for a prolonged period in an environment involving harmful dust develops an occupational lung disease.

2.3.2.8 Employer's Liability

The Act establishes circumstances in which an employer is liable to pay compensation for employment-related injury, subject to the statutory requirements and exceptions.

Example: If an employee is injured while carrying out duties assigned by the employer, the employer may have a statutory liability to provide compensation.

2.3.2.9 Compensation to Dependents

When an employee dies from an employment-related injury, compensation may be payable to eligible dependants as provided by law.

Example: If a factory employee dies in a workplace accident, eligible family members may receive compensation.

2.3.2.10 Calculation of Compensation

The amount of compensation depends on factors prescribed by the Act, including the nature of disablement, the employee's wages, and relevant statutory factors.

Example: The compensation payable for permanent total disablement will be calculated differently from compensation for temporary disablement.

2.3.2.11 Notice and Claim

The Act contains provisions concerning notice of accidents and claims for compensation. Employees or eligible dependants should follow the prescribed legal procedure.

Example: After a workplace accident, the employee reports the accident to the employer and takes the necessary steps to make a compensation claim.

2.3.2.12 Social Security Protection

The Act forms part of India's social security framework by providing financial protection against employment-related risks.

Example: Compensation received after a serious workplace injury can help an employee meet medical and household expenses while earning capacity is affected.

2.3.3 Employees' Compensation (Amendment) Act, 2017

The Employees' Compensation (Amendment) Act, 2017 introduced important changes to the Employees' Compensation Act, 1923. The amendment mainly strengthened employees' awareness of their rights, improved transparency regarding compensation claims, and revised certain provisions relating to employment injury and compensation.

2.3.3.1 Employer's Duty to Inform Employees

The amendment introduced a requirement for employers to inform employees of their rights to compensation under the Act.

Example: When a worker joins a factory, the employer should provide information about the employee's rights and available compensation in the prescribed manner.

2.3.3.2 Information about Compensation Rights

Employees must be made aware that compensation may be available in cases of employment-related injury, disablement, or death.

Example: If a worker suffers an injury while operating factory machinery, the worker should be informed about the right to claim compensation.

2.3.3.3 Notice of Rights in the Workplace

The employer is required to provide information about employees' compensation rights through the prescribed means.

Example: A factory may display information about compensation rights on its workplace notice board or provide it to employees as required by law.

2.3.3.4 Penalty for Failure to Inform Employees

The amendment provides consequences for an employer who fails to comply with the requirement to inform employees about their compensation rights.

Example: If an employer does not provide the legally required information about compensation rights, the employer may face the applicable statutory penalty.

2.3.3.5 Removal of Certain Ambiguities

The amendment clarified certain provisions of the principal Act and aimed to make the compensation framework easier to understand and administer.

Example: An employee involved in a workplace accident can use the clarified legal provisions to understand the procedure and rights relating to compensation.

2.3.3.6 Protection of Employees and Dependants

The amendment continued the Act's focus on protecting employees and eligible dependants from financial hardship caused by employment-related injury or death.

Example: If an employee dies because of a workplace accident, eligible dependants can seek compensation under the Act.

2.3.3.7 Strengthening Social Security

The amendment supports the broader objective of providing social security to employees against employment-related risks.

Example: A worker who becomes permanently disabled because of a workplace accident may receive statutory compensation to provide financial support.

2.3.3.8 Greater Awareness of Legal Rights

One of the important purposes of the amendment was to ensure that employees are not unaware of their statutory rights.

Example: An injured employee who knows about the compensation provisions is better placed to initiate the appropriate claim rather than losing the benefit due to lack of information.



2.3.4 Equal Remuneration Act, 1976

The Equal Remuneration Act, 1976 was enacted to provide for the payment of equal remuneration to men and women workers for the same work or work of a similar nature and to prevent discrimination on the ground of sex in matters connected with employment. The Act has since been subsumed into the Code on Wages, 2019, but its provisions remain important for understanding the development of equal-pay principles in Indian labour law.

2.3.4.1 Equal remuneration for same or similar work

The Act provided that men and women performing the same work or work of a similar nature should receive equal remuneration.

Example: If a male and female employee perform the same job with similar duties and responsibilities, the employer should provide equal wages.

2.3.4.2 No discrimination in recruitment

Employers were prohibited from discriminating against women in recruitment for the same or similar work, subject to legally permitted exceptions.

Example: If a company recruits machine operators, it should not reject a qualified woman applicant merely because she is a woman.

2.3.4.3 Same or similar nature of work

Work was considered similar when the skill, effort, experience, and responsibility required were substantially similar, even if the job titles were different.

Example: Two employees with different job titles may still be treated as performing similar work if their actual duties, skills, and responsibilities are substantially alike.

2.3.4.4 Equal wages and salary

Employers were required to maintain equality in remuneration between men and women doing the same or similar work.

Example: If two employees perform identical accounting duties, the employer should not pay one employee less solely because of gender.

2.3.4.5 Prohibition of discrimination in service conditions

The Act sought to prevent discrimination against women in matters connected with employment, such as conditions of service, where such discrimination was based on sex.

Example: An employer should not provide less favourable employment conditions to a woman employee simply because she is a woman.

2.3.4.6 Advisory Committees

The Act provided for Advisory Committees to promote employment opportunities for women and advise the government on relevant matters.

Example: An Advisory Committee could examine barriers preventing women from entering particular occupations and recommend measures to improve their employment opportunities.

2.3.4.7 Maintenance of records

Employers were required to maintain relevant registers and records relating to employees and remuneration as prescribed.

Example: A company could be required to maintain records showing the employees' names, employment details, and wages for inspection by the appropriate authority.

2.3.4.8 Complaints and enforcement

The Act provided mechanisms for employees to raise complaints regarding violations and empowered appropriate authorities to enforce its provisions.

Example: If a woman employee believed she was receiving lower remuneration than a male employee for substantially similar work, she could approach the appropriate authority under the applicable procedure.

2.3.4.9 Objective of gender equality

A major objective of the Act was to promote equality between men and women in employment and reduce gender-based wage discrimination.

Example: A company adopting equal pay practices for male and female employees performing comparable work would support the principle of workplace equality.

2.3.4.10 Contribution to labour welfare

The Act formed part of India's labour welfare framework by promoting fairness, equality, and protection against discrimination in remuneration.

Example: Equal remuneration can help ensure that employees are compensated according to the work performed rather than their gender.

2.3.5 Employees' State Insurance Act, 1948

The Employees' State Insurance Act, 1948 is a social security legislation that provides medical care and financial protection to eligible employees and their families against risks such as sickness, maternity, employment injury, disablement, and death. The scheme is administered through the Employees' State Insurance Corporation (ESIC).



2.3.5.1 Coverage of employees

The Act provides social security protection to employees covered by the ESI scheme, subject to the applicable eligibility and wage conditions.

Example: An eligible employee working in a covered manufacturing establishment can be registered under ESI and receive benefits under the scheme.

2.3.5.2 Medical benefit

Insured employees and eligible family members can receive medical treatment through the ESI system according to the applicable rules.

Example: An insured employee suffering from an illness can obtain treatment at an ESIC dispensary or hospital.

2.3.5.3 Sickness benefit

Eligible insured employees may receive cash benefits during certified periods of sickness, subject to the prescribed conditions.

Example: If an insured worker is medically advised to remain away from work because of illness, the worker may receive sickness benefit for the eligible period.

2.3.5.4 Maternity benefit

The Act provides maternity-related cash benefits to eligible insured women for qualifying periods and conditions.

Example: An insured woman employee who takes leave for childbirth may receive maternity benefit according to the applicable ESI provisions.

2.3.5.5 Disablement benefit

Employees who suffer employment-related disablement may receive benefits according to the nature and duration of the disablement.

Example: A worker injured by a machine at work and temporarily unable to perform the job may qualify for temporary disablement benefit.

2.3.5.6 Dependants' benefit

When an insured employee dies as a result of an employment injury, eligible dependants may receive periodic payments under the scheme.

Example: If a factory worker dies because of a workplace accident, eligible family members may receive dependants' benefit.

2.3.5.7 Funeral expenses

The scheme provides funeral expenses in accordance with the prescribed conditions when an insured person dies.

Example: Following the death of an insured employee, the eligible person may claim the prescribed funeral expense benefit.

2.3.5.8 Contributions by employer and employee

The ESI scheme is financed through contributions from employers and employees at rates prescribed under the law.

Example: A covered employee contributes the prescribed amount from wages, while the employer contributes its prescribed share.

2.3.5.9 Protection against employment injury

The Act provides financial support when an employee suffers an injury arising out of and in the course of employment.

Example: If an employee fractures a leg in a workplace accident, the employee may receive medical treatment and applicable disablement benefits.

2.3.5.10 Social security for employees and families

The Act provides a comprehensive social security framework covering several risks that can affect an employee's income and family welfare.

Example: An insured employee may receive medical care during illness and financial benefits during periods when sickness or employment injury prevents working.

2.3.6 Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 is an important social security law that provides financial protection to employees through provident fund, pension, and deposit-linked insurance schemes. It promotes long-term savings and provides financial support to employees and their families during retirement, disability, or death.

2.3.6.1 Coverage of Establishments

The Act applies to specified establishments and classes of establishments meeting the conditions prescribed under the law.

Example: An eligible factory employing the required number of employees may come under EPF coverage.



2.3.6.2 Employees' Provident Fund (EPF)

The EPF scheme helps employees build long-term savings through contributions made during employment.

Example: A worker contributes a prescribed portion of wages to the provident fund every month, along with the employer's contribution as required.

2.3.6.3 Employer's contribution

Employers are required to make contributions to the provident fund according to the applicable statutory provisions.

Example: If an employee is covered by EPF, the employer deposits its prescribed contribution into the employee's provident fund account.

2.3.6.4 Employee's contribution

Covered employees contribute to the provident fund according to the prescribed rate and applicable rules.

Example: A covered employee has a portion of eligible wages deducted each month and deposited into the EPF account.

2.3.6.5 Pension benefits

The Employees' Pension Scheme provides pension-related benefits to eligible employees and their families according to the applicable conditions.

Example: An employee who completes the required period of eligible service may receive pension benefits after retirement.

2.3.6.6 Family pension

The pension framework provides benefits to eligible family members in specified circumstances, including the death of a member.

Example: If a covered employee dies after meeting the relevant conditions, an eligible spouse or other family member may receive pension benefits.

2.3.6.7 Deposit-Linked Insurance Scheme

The Employees' Deposit Linked Insurance Scheme provides insurance benefits to eligible employees' nominees or beneficiaries in the event of death while in service, subject to the scheme's conditions.

Example: If an insured EPF member dies while employed, the eligible nominee may receive the applicable insurance benefit.

2.3.6.8 Withdrawal and advances

The EPF framework permits withdrawals or advances in specified circumstances and subject to prescribed conditions.

Example: An employee may be permitted to make a partial withdrawal for an eligible purpose such as certain medical or housing-related needs.

2.3.6.9 Transfer of provident fund account

Provident fund accumulations can generally be transferred when an employee changes employment, subject to the applicable procedures.

Example: When an employee moves from Company A to Company B, the employee can transfer the EPF account instead of starting a completely separate savings record.

2.3.6.10 Protection of employees' savings

The Act provides a statutory framework for managing and protecting employees' provident fund benefits.

Example: An employer cannot simply use an employee's EPF contribution for the company's ordinary business expenses.

2.3.6.11 Compliance by employers

Covered employers must comply with requirements relating to registration, contributions, records, and other statutory obligations.

Example: An eligible employer must deposit the required EPF contributions within the prescribed time and maintain the necessary records.

2.3.6.12 Social security and retirement savings

The Act promotes financial security by encouraging systematic savings during the employee's working life.

Example: A worker who regularly contributes to EPF over many years can accumulate a retirement fund that provides financial support after leaving employment.

2.3.7 Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 is an important social security legislation that provides a lump-sum payment to eligible employees as a benefit for their continuous service. Gratuity is generally payable on retirement, resignation, superannuation, death, or disablement, subject to the conditions prescribed by law.



2.3.7.1 Eligibility for Gratuity

An employee who completes the required period of continuous service in an establishment covered by the Act becomes eligible for gratuity, subject to the statutory conditions.

Example: An employee who completes five years of continuous service and then resigns may become eligible for gratuity.

2.3.7.2 Completion of Continuous Service

Continuous service is an important condition for gratuity entitlement, with certain statutory provisions dealing with interruptions in service.

Example: An employee who has worked continuously for several years may qualify for gratuity even if there were certain interruptions recognized under the law.

2.3.7.3 Gratuity on retirement or resignation

Eligible employees may receive gratuity when they retire or leave employment after satisfying the applicable service requirement.

Example: An employee retires after 20 years of service and receives a lump-sum gratuity payment.

2.3.7.4 Gratuity on death

If an employee dies while in service, gratuity may become payable to the nominee or eligible legal heirs, subject to the applicable provisions.

Example: If an employee dies after three years of service, the employee's eligible family members may receive gratuity even though the employee did not complete five years of service.

2.3.7.5 Gratuity on disablement

Gratuity may be payable when an employee becomes disabled due to an accident or disease, subject to the statutory provisions.

Example: An employee becomes permanently disabled after a workplace accident and becomes entitled to gratuity according to the applicable law.

2.3.7.6 Calculation of gratuity

For employees covered by the statutory formula, gratuity is generally calculated based on the employee's last drawn wages and completed years of service, according to the applicable provisions.

Example: If an employee completes 10 years of service, the gratuity is calculated using the prescribed formula based on the employee's eligible wages.

2.3.7.7 Nomination facility

Employees can make a nomination so that the gratuity amount can be paid to the person or persons entitled under the law.

Example: An employee nominates a spouse to receive the gratuity amount in the event of the employee's death.

2.3.7.8 Employer's responsibility

The employer is responsible for determining and paying gratuity to an eligible employee within the prescribed period.

Example: When an employee retires, the employer calculates the gratuity and makes the payment within the legally prescribed time.

2.3.7.9 Forfeiture of gratuity

Gratuity may be wholly or partly forfeited in certain circumstances specified by the Act, particularly where the employee's conduct falls within the statutory grounds.

Example: If an employee's services are terminated for an act causing specified damage or loss to the employer, gratuity may be forfeited to the extent permitted by law.

2.3.7.10 Maximum amount of gratuity

The Act provides a statutory ceiling on the amount of gratuity payable, subject to changes notified under applicable law.

Example: If the calculated gratuity exceeds the applicable statutory ceiling, the amount payable under the Act is subject to that ceiling.

2.3.7.11 Protection of gratuity

The Act provides legal protection for an employee's gratuity entitlement and establishes procedures for resolving disputes.

Example: If an employer refuses to pay gratuity that is legally due, the employee can approach the appropriate authority under the Act.

2.3.7.12 Importance as a social security benefit

Gratuity provides financial assistance to employees after long-term service and helps provide financial security at the end of employment.

Example: A retired employee can use the gratuity received after many years of service to meet household expenses or other financial needs.

2.3.8 Maternity Benefit Act, 1961

The Maternity Benefit Act, 1961 is a social welfare legislation enacted to protect the employment and health of women during pregnancy and after childbirth. It provides maternity benefits, leave, and related protections to eligible women employees and seeks to ensure that women do not face financial or employment-related hardship because of maternity.

2.3.8.1 Maternity benefit

The Act provides paid maternity leave to eligible women employees for the prescribed period, subject to the applicable conditions.

Example: A woman employee who is eligible under the Act can take maternity leave before and after childbirth while receiving maternity benefit.

2.3.8.2 Eligibility for maternity benefit

A woman must satisfy the prescribed conditions relating to employment and the required period of service to claim maternity benefit.

Example: A woman who has worked for the required number of days during the relevant period may qualify for maternity benefit.

2.3.8.3 Maternity leave

The Act provides maternity leave for childbirth for the period prescribed by law. The duration has been substantially amended by the 2017 amendment.

Example: An eligible woman employee can take the statutory maternity leave around the time of childbirth instead of having to continue working throughout pregnancy.

2.3.8.4 Leave for miscarriage

A woman who suffers a miscarriage is entitled to leave for the period prescribed under the Act.

Example: If an employee suffers a miscarriage, she may take the legally prescribed period of leave with the applicable maternity benefit.

2.3.8.5 Leave for illness arising out of pregnancy

Additional leave may be available where a woman suffers illness arising out of pregnancy, delivery, premature birth, or miscarriage, subject to the statutory conditions.

Example: If a woman develops a pregnancy-related medical complication after childbirth, she may be entitled to additional leave as permitted by the Act.

2.3.8.6 Nursing breaks

A woman employee returning to work after childbirth is entitled to prescribed nursing breaks for caring for her child.

Example: A mother who returns to work after maternity leave can take the prescribed nursing breaks during working hours to feed or care for her baby.

2.3.8.7 Protection against dismissal

The Act provides protection against dismissal or disadvantageous treatment during the period of maternity leave in circumstances prohibited by law.

Example: An employer cannot dismiss an eligible woman merely because she is absent from work on valid maternity leave.

2.3.8.8 Work involving difficult or hazardous conditions

The Act provides safeguards relating to work that may adversely affect pregnancy or the health of the woman or child.

Example: An employer may be required to avoid assigning a pregnant employee work involving strenuous physical activity where the law prohibits or restricts such work.

2.3.8.9 Medical bonus

Eligible women may receive a medical bonus where the prescribed conditions are satisfied, particularly where the employer does not provide the required free prenatal and postnatal care.

Example: If the employer does not provide the prescribed medical facilities, an eligible employee may receive the applicable medical bonus.

2.3.8.10 Maternity benefit for adopting and commissioning mothers

Following the 2017 amendment, specified provisions provide maternity benefits to eligible women who adopt a child and commissioning mothers, subject to the statutory conditions.

Example: An eligible woman who legally adopts a child below the prescribed age may receive maternity leave for the period provided under the Act.

2.3.8.11 Crèche facility

The 2017 amendment introduced provisions requiring specified establishments to provide a crèche facility, subject to the applicable conditions.

Example: A qualifying establishment may provide a crèche where employees can safely leave their young children while they are at work.



2.3.8.12 Right to visit the crèche

Eligible women employees are provided the prescribed number of visits to the crèche during working hours, including rest intervals, subject to the law.

Example: A mother working in a qualifying establishment can visit the workplace crèche during the permitted intervals to feed or attend to her child.

2.3.8.13 Work from home

The 2017 amendment introduced a provision allowing work from home where the nature of work permits it and subject to mutually agreed conditions between the employer and employee.

Example: After maternity leave, an employee whose job can be performed remotely may be permitted to work from home under an arrangement agreed with the employer.

2.3.8.14 Importance of maternity protection

The Act promotes the health, dignity, employment security, and welfare of women during pregnancy and after childbirth.

Example: A woman employee can take statutory maternity leave without having to choose between her employment and essential maternity-related care.

2.3.9 Maternity Benefit (Amendment) Act, 2017

The Maternity Benefit (Amendment) Act, 2017 made significant changes to the Maternity Benefit Act, 1961. The amendment expanded maternity leave, introduced benefits for adopting and commissioning mothers, provided for crèche facilities in specified establishments, and introduced the possibility of work from home. Its objective was to strengthen maternity protection and support women in continuing their employment while caring for their children.

2.3.9.1 Extended maternity leave

The amendment increased the maximum maternity leave for eligible women from 12 weeks to 26 weeks, subject to the conditions specified in the Act.

Example: An eligible woman employee can take up to 26 weeks of maternity leave for her first two surviving children.

2.3.9.2 Maternity leave for women with two or more surviving children

For a woman having two or more surviving children, the maternity benefit continues to be available for a period of up to 12 weeks as provided by the amended Act.

Example: A woman who already has two surviving children and gives birth again may be entitled to 12 weeks of maternity benefit.

2.3.9.3 Adopting mothers

The amendment introduced maternity benefit for a woman who legally adopts a child below the age of three months, subject to the conditions of the Act.

Example: A woman employee legally adopts a two-month-old baby and may be entitled to 12 weeks of maternity benefit from the date the child is handed over to her.

2.3.9.4 Commissioning mothers

The amendment provides maternity benefit to a commissioning mother, subject to the statutory conditions.

Example: A commissioning mother who has a child through surrogacy may be entitled to 12 weeks of maternity benefit from the date the child is handed over to her.

2.3.9.5 Work from home facility

The amendment introduced the possibility of working from home after the maternity leave period, where the nature of work permits it and the employer and employee mutually agree to the arrangement.

Example: An employee working in an online accounting role may be permitted to work from home after completing maternity leave.

2.3.9.6 Crèche facility

Establishments employing the prescribed number of employees are required to provide a crèche facility, subject to the applicable conditions.

Example: A large company employing the required number of employees provides a crèche where employees can leave their young children during working hours.

2.3.9.7 Crèche visits

A woman employee is entitled to the prescribed number of visits to the crèche during working hours, including rest intervals.

Example: A mother can visit the workplace crèche during permitted intervals to feed or attend to her child.

2.3.9.8 Awareness of maternity benefits

Employers are required to inform women employees about the maternity benefits available under the Act in the manner prescribed by law.

Example: When a woman joins an eligible establishment, the employer provides information about maternity leave and other applicable benefits.

2.3.9.9 Protection of employment

The amendment operates within the existing maternity protection framework, which safeguards eligible women from prohibited dismissal or adverse treatment during maternity leave.

Example: An employer cannot dismiss an eligible employee simply because she is taking maternity leave in accordance with the Act.

2.3.9.10 Promotion of work-life balance

The amendment aims to help women balance employment responsibilities with pregnancy, childbirth, and childcare.

Example: A woman employee may use maternity leave, crèche facilities, and, where mutually agreed and feasible, work-from-home arrangements to manage childcare while continuing her career.

2.3.9.11 Improved workplace support for mothers

The amendment strengthened institutional support for women employees returning to work after childbirth or adoption.

Example: A company can support a returning mother through access to a workplace crèche and permitted nursing breaks.

2.3.9.12 Social security and women's welfare

The amendment strengthens maternity protection as an important component of employee welfare and social security.

Example: A woman employee can take statutory maternity leave without losing the employment protections provided by the maternity benefit framework.

2.3.10 The Payment Of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 is an important social security legislation that provides a lump-sum benefit to eligible employees in recognition of their continuous service. Gratuity is generally payable when an employee retires, resigns, reaches superannuation, becomes disabled, or dies, subject to the conditions prescribed under the Act.

2.3.10.1 Eligibility for gratuity

An employee who completes the required period of continuous service in an establishment covered by the Act is generally eligible for gratuity.

Example: An employee completes five years of continuous service in a company and then resigns. The employee may be eligible for gratuity.

2.3.10.2 Continuous service

Continuous service is an important requirement for determining eligibility and is calculated according to the provisions of the Act.

Example: An employee has worked for an organisation for several years, with certain interruptions that are recognised under the Act as continuous service. Such service may still count for gratuity.

2.3.10.3 Gratuity on retirement

An eligible employee is entitled to gratuity upon retirement or superannuation after satisfying the applicable conditions.

Example: An employee retires after 20 years of service and receives a lump-sum gratuity payment.

2.3.10.4 Gratuity on resignation

An employee who resigns after completing the required period of continuous service may be entitled to gratuity.

Example: A worker resigns after completing eight years of service. The employer calculates and pays the gratuity according to the statutory formula.

2.3.10.5 Gratuity on death

When an employee dies while in service, gratuity is payable to the nominee or eligible legal heirs, and the normal five-year service condition does not apply.

Example: An employee dies after three years of service. The employee's eligible nominee or legal heirs may receive gratuity.

2.3.10.6 Gratuity on disablement

Gratuity may be payable when an employee becomes disabled due to an accident or disease, subject to the provisions of the Act.

Example: An employee becomes permanently disabled after an accident and leaves employment. The employee may be entitled to gratuity without having to complete the normal five-year service requirement.

2.3.10.7 Calculation of gratuity

For employees covered by the statutory formula, gratuity is generally calculated using the employee's last drawn wages and completed years of service.

Example: An employee completes 10 years of service and has the applicable last drawn wages. The employer calculates gratuity using the prescribed statutory formula.



2.3.10.8 Nomination

An employee can make a nomination specifying the person or persons who may receive gratuity in the event of the employee's death.

Example: An employee nominates a spouse to receive the gratuity amount if the employee dies during service.

2.3.10.9 Employer's responsibility

The employer is responsible for determining the amount of gratuity payable and making payment within the prescribed period.

Example: When an employee retires, the employer calculates the gratuity and makes the payment within the legally prescribed time.

2.3.10.10 Notice and payment of gratuity

The Act provides procedures relating to the determination and payment of gratuity.

Example: After an employee becomes eligible for gratuity, the employer determines the amount payable and communicates the details to the employee.

2.3.10.11 Forfeiture of gratuity

Gratuity may be wholly or partly forfeited in specified circumstances provided under the Act.

Example: If an employee causes damage or loss to the employer through an act covered by the statutory forfeiture provisions, gratuity may be forfeited to the extent permitted by law.

2.3.10.12 Maximum gratuity amount

The Act provides a statutory ceiling on gratuity, which may be revised by the Central Government through notification.

Example: If an employee's calculated gratuity exceeds the applicable statutory ceiling, the amount payable under the Act is subject to that ceiling.

2.3.10.13 Protection of gratuity

The Act provides legal protection for an employee's gratuity entitlement and mechanisms for resolving disputes regarding payment.

Example: If an employer refuses to pay gratuity that is legally due, the employee can approach the appropriate authority under the Act.

2.3.10.14 Social security benefit

Gratuity provides financial support to employees after long-term service and is an important component of employee welfare.

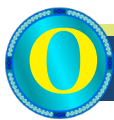
Example: A retired employee can use the gratuity received after many years of service to meet household expenses, medical costs, or other financial needs.



Recap

- ◇ The Employees' Compensation Act, 1923 provides compensation for employees who suffer employment-related injury, disablement, occupational disease, or death.
- ◇ The Employees' Compensation (Amendment) Act, 2017 strengthened employee awareness of compensation rights and related employer responsibilities.
- ◇ The Equal Remuneration Act, 1976 promoted equal remuneration for men and women performing the same or similar work and addressed gender-based discrimination in employment.
- ◇ The Employees' State Insurance Act, 1948 provides medical and cash benefits to eligible employees and their families against sickness, maternity, employment injury, disablement, and death.
- ◇ The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 provides social security through provident fund, pension, and deposit-linked insurance schemes.
- ◇ The Payment of Gratuity Act, 1972 provides a lump-sum gratuity benefit to eligible employees in recognition of continuous service.
- ◇ The Maternity Benefit Act, 1961 protects eligible women employees by providing maternity benefits, maternity leave, nursing breaks, and employment-related protection.
- ◇ The Maternity Benefit (Amendment) Act, 2017 expanded maternity protection by increasing maternity leave for eligible women, introducing benefits for adopting and commissioning mothers, and providing for crèche facilities and work-from-home arrangements under specified conditions.





Objective Questions

1. The Employees' Compensation Act was enacted in which year?
2. The Employees' Compensation (Amendment) Act was passed in which year?
3. What was the primary objective of the Equal Remuneration Act, 1976?
4. In which year was the Employees' State Insurance Act enacted?
5. Which Act provides benefits through the Employees' Provident Fund?
6. In which year was the Employees' Provident Funds and Miscellaneous Provisions Act enacted?
7. In which year was the Payment of Gratuity Act enacted?
8. In which year was the Maternity Benefit Act enacted?
9. What is the maximum maternity leave provided to eligible women under the Maternity Benefit (Amendment) Act, 2017?
10. Which Act provides medical and cash benefits to eligible insured employees?
11. Gratuity is primarily associated with what type of employee benefit?
12. Which legislation provides maternity-related protection to eligible women employees?



Answers

1. The Employees' Compensation Act was enacted in 1923.
2. The Employees' Compensation (Amendment) Act was passed in 2017.
3. The Equal Remuneration Act aimed to ensure equal pay for equal work.
4. The Employees' State Insurance Act was enacted in 1948.
5. The EPF and Miscellaneous Provisions Act provides provident fund benefits.
6. The Employees' Provident Funds Act was enacted in 1952.
7. The Payment of Gratuity Act was enacted in 1972.

8. The Maternity Benefit Act was enacted in 1961.
9. Eligible women can receive up to 26 weeks of maternity leave.
10. The Employees' State Insurance Act provides medical and cash benefits.
11. Gratuity is primarily a benefit for long-term continuous service.
12. The Maternity Benefit Act provides maternity-related protection to women employees.



Self - Assessment Questions

1. Explain the objectives and major provisions of the Employees' Compensation Act, 1923 with suitable examples.
2. Discuss the important changes introduced by the Employees' Compensation (Amendment) Act, 2017.
3. Explain the objectives and provisions of the Equal Remuneration Act, 1976 with practical examples.
4. Describe the major benefits provided under the Employees' State Insurance Act, 1948.
5. Explain the role of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 in providing social security to employees.
6. Discuss the eligibility, calculation, and payment of gratuity under the Payment of Gratuity Act, 1972.
7. Explain the major provisions of the Maternity Benefit Act, 1961 with suitable workplace examples.
8. Discuss the key amendments introduced by the Maternity Benefit (Amendment) Act, 2017.
9. Compare the Employees' State Insurance Scheme and Employees' Provident Fund Scheme in terms of benefits and employee protection.
10. Analyse the importance of social security legislation in protecting employees from financial and employment-related risks.
11. Prepare a case study on an employee facing workplace injury, maternity-related issues, or retirement and identify the applicable social security benefits.
12. Discuss how labour welfare and social security legislation contribute to employee welfare, equality, and better working conditions.





Assignments

1. Analyse how the Employees' Compensation Act, Employees' State Insurance Act, and Employees' Provident Funds legislation collectively provide protection against employment injury, sickness, and financial insecurity.
2. Examine the role of the Employees' Provident Funds Act and Payment of Gratuity Act in providing financial security to employees during and after their employment.
3. Analyse how the Maternity Benefit Act, 1961, and Maternity Benefit (Amendment) Act, 2017 contribute to the protection and welfare of women employees.
4. Critically examine how social security legislation provides protection to employees against major risks such as employment injury, sickness, retirement, loss of employment, and maternity.
5. Analyse the contribution of social security legislation to employee welfare by referring to compensation, health insurance, provident fund, gratuity, and maternity benefits.



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BLOCK - 03



Laws on Industrial Relations

Unit - 1

Industrial Disputes and Domestic Enquiry



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the meaning, nature, and causes of industrial disputes
- ◇ describe the legal provisions relating to lay-off, retrenchment and termination, and distinguish these concepts from HR practices such as downsizing and bench employment
- ◇ explain the concept and importance of industrial discipline in maintaining harmonious workplace relations
- ◇ examine the significance of the Industrial Disputes (Central) Rules, 1957 and the Industrial Employment (Standing Orders) Act, 1946 in regulating employment conditions



Prerequisite

Imagine that you have joined a company after completing your BBA. During the first few months, everything goes well. Employees perform their duties, managers supervise the work, salaries are paid on time, and the organisation functions smoothly. Suddenly, the company announces that some employees will lose their jobs because business has slowed down.

A few employees protest, a trade union becomes involved, and the management argues that the decision is necessary to reduce costs. Questions immediately arise. Can an employer remove employees at any time? What rights do employees have in such situations? How should disagreements between employees and management be resolved? What happens if an employee is accused of misconduct? Can a company punish an employee without allowing an explanation? The answers to these questions are found in industrial relations laws.

This unit helps learners understand the major aspects of industrial relations and labour laws relating to the workplace. It covers the meaning, nature, and causes of industrial disputes, along with different forms of industrial action.



Learners will also examine important employment situations such as lay-off, retrenchment, downsizing, bench employment and termination, and understand how these concepts differ from one another. The unit further introduces the Industrial Disputes Act, 1947, the Industrial Disputes (Central) Rules, 1957, and the Industrial Employment (Standing Orders) Act, 1946, and explains their role in regulating employment conditions and maintaining industrial harmony.



Keywords

Industrial disputes, Industrial Employment, downsizing, retrenchment, lay-off, bench employees, misconduct, termination, industrial discipline, harmonious workplace relations



Discussion

3.1.1 Introduction

Industrial relations are not only about solving conflicts after they occur. It is about creating a healthy relationship between employers and employees so that organisations can function peacefully and productively. A workplace where employees feel respected and employers follow fair procedures is more likely to achieve higher productivity, lower employee turnover, and better organisational performance.

Now let's get familiar with the core terms

- ◇ **Industry:** In ordinary business language, industry refers to organised economic activity involving the production of goods or provision of services. However, for labour-law purposes, the term “industry” has a specific statutory meaning, and learners should refer to the relevant statutory definition when determining whether an establishment falls within the scope of industrial-relations legislation.
- ◇ **Employer:** An employer is the person or organisation that hires people to perform work and pays them wages or salaries. Employers make decisions about recruitment, promotions, transfers, training, discipline, and sometimes employee termination. For example, Reliance Retail employs thousands of sales executives, warehouse workers, and managers across India. Reliance Retail acts as the employer for these employees.
- ◇ **Employee:** An employee is a person who works for an organisation in return for wages or salary. Employees contribute their knowledge, skills, and effort to achieve organisational goals. For example, a nurse working in a government medical college hospital, a technician in a manufacturing company, or a customer support executive in an IT company are all employees.

- ◇ **Industrial Relations:** Industrial relations refers to the relationship between employers, employees, trade unions, and the government in matters related to employment, working conditions, and workplace harmony.

Illustration: A garment manufacturing company in Kerala introduces a new work schedule without discussing it with employees. Workers feel the schedule is unfair because it increases working hours during festival season. Instead of discussing the issue, both sides begin blaming each other. Productivity falls, absenteeism increases, and employees threaten to stop work.

This situation is an example of poor industrial relations leading to a potential industrial dispute.

Industrial relations influence every stage of employment from recruitment to retirement. Understanding these concepts helps future managers maintain harmonious workplace relationships and resolve conflicts through lawful procedures.

HR Insight

A successful HR manager does not wait for conflicts to become disputes. Regular communication, employee meetings, and grievance handling systems help identify concerns early and maintain healthy industrial relations.

Importance of Industrial Relations

Industrial relations play a vital role in the success of every organisation. Whether it is a manufacturing company, hospital, bank, IT firm, retail outlet, or educational institution, the relationship between employers and employees influences the organisation's overall performance. When this relationship is based on trust, cooperation, communication, and fairness, employees work with greater commitment and organisations achieve their goals more effectively.

Industrial relations are not only about resolving conflicts after they arise. They also focus on creating a positive work environment where employers and employees work together to achieve common objectives. Healthy industrial relations encourage dialogue instead of confrontation and cooperation instead of conflict. This helps organisations maintain stability, improve productivity, and create a workplace where employees feel respected and valued. For a developing economy like India, good industrial relations are equally important because they contribute to uninterrupted production, employment generation, economic growth, and social harmony. The importance of industrial relations can be understood from the following points:

1. **Maintains Industrial Peace** - Peaceful relationships between employers and employees reduce the chances of strikes, lockouts, protests, and workplace conflicts. A harmonious workplace allows organisations to function smoothly without interruptions.



2. **Improves Productivity and Organisational Performance** - When employees feel respected and motivated, they are more committed to their work. Better cooperation between management and employees improves productivity, quality of work, and customer satisfaction.
3. **Reduces Industrial Disputes** - Effective communication and consultation help identify employee concerns before they become major disputes. Organisations can solve issues through negotiation, discussion, or grievance handling procedures instead of work stoppages.
4. **Encourages Effective Communication** - Industrial relations create formal channels through which management and employees can exchange ideas, suggestions, and concerns. Open communication builds trust and transparency within the organisation.
5. **Protects the Interests of Both Parties** - Industrial relations ensure that employees receive fair treatment while also protecting the legitimate interests of employers. Labour laws and established procedures help balance rights and responsibilities in the workplace.
6. **Supports Industrial Democracy** - Employees are encouraged to participate in workplace decisions through trade unions, works committees, suggestion schemes, and other participative mechanisms. This creates a sense of belonging and shared responsibility.

Industrial relations benefit not only employers and employees but also customers, investors, and society. Peaceful industrial relations reduce production losses, improve service quality, and create confidence among stakeholders.

Now that you have understood the meaning and importance of industrial relations, the next section explains the concept of the term industrial dispute and the Industrial Disputes Act, 1947. This Act provides the legal framework for preventing and resolving disputes between employers and employees and lays down procedures for matters such as lay-off, retrenchment, termination, and dispute settlement.

3.1.2 Industrial Dispute: Meaning and Definition

Imagine you have joined the HR department of a manufacturing company. Employees have been requesting a salary revision for several months because the cost of living has increased. However, the management explains that the company is facing financial difficulties and cannot increase wages immediately.

As discussions continue without a solution, employees become dissatisfied. A trade union steps in, meetings become tense, and the disagreement begins to affect the normal functioning of the workplace.

Situations like this are common in organisations. Differences of opinion may arise over wages, working hours, promotions, transfers, disciplinary action, job security, or

working conditions. When these differences remain unresolved, they may develop into an industrial dispute.

An industrial dispute is not simply an argument between an employer and an employee. It is a conflict related to employment or working conditions that affects the relationship between management and workers. Some disputes are resolved through discussion and negotiation, while others may lead to strikes, lockouts, or legal proceedings. Therefore, understanding industrial disputes is essential for maintaining healthy industrial relations and ensuring peace in the workplace. The Industrial Disputes Act, 1947 defines an industrial dispute under Section 2(k).

According to Section 2(k) of the Industrial Disputes Act, 1947, “an industrial dispute means any dispute or difference between employers and employees, employers and workmen, or workmen and workmen, which is connected with the employment or non-employment or the terms of employment or with the conditions of labour of any person.” Non-employment refers to situations where a person is denied employment or loses employment because of dismissal, retrenchment, lay-off, or refusal of employment.

This definition shows that an industrial dispute may arise not only between an employer and employees, but also between different groups of employees or between employers themselves, provided the dispute is related to employment or labour conditions.

An industrial dispute is a disagreement between employers and employees over employment, wages, working conditions, promotion, dismissal, transfers, disciplinary action, or any matter connected with work.

Table 3.1.1 Parties to an industrial Dispute

Parties Involved	Example
Employer and Employees	Salary revision dispute
Employer and Employer	Disagreement regarding employment obligations in joint operations.
Employee and Employee	Dispute between worker groups over working conditions
Trade Union and Management	Collective bargaining over wages.

Characteristics of Industrial Disputes

- ◇ Industrial disputes are related to employment, non-employment, terms of employment, or conditions of labour in an organisation.
- ◇ Industrial disputes involve employers, employees, trade unions, or different groups of workers who have differences over workplace matters.
- ◇ Industrial disputes may be individual or collective, depending on whether they involve one employee or a group of employees.



- ◇ Industrial disputes may affect a single organisation, multiple organisations, or even an entire industry when the issue is widespread.
- ◇ Industrial disputes can be resolved through negotiation, conciliation, arbitration, labour courts, or other legal mechanisms provided under labour laws.

Industrial disputes can affect both employees and organisations. Employees may lose income during strikes, while employers may face production losses, customer dissatisfaction, and financial losses. Industrial disputes do not always take the same form.

Depending on the nature of the disagreement and the response of employers or employees, disputes may be expressed through different types or forms of industrial action.

1. **Strikes** – A strike is the most common form of industrial dispute. It occurs when employees collectively stop work to express dissatisfaction or demand changes in wages, working conditions, benefits, or other employment-related matters. A strike is usually organised by employees or trade unions after discussions with management fail.

Employees of a public transport corporation stop work demanding a wage revision. Bus services remain suspended until negotiations begin.

2. **Lockout** - A lockout is the opposite of a strike. In a lockout, the employer temporarily closes the workplace or prevents employees from entering the establishment until the dispute is resolved. It is used by employers during serious industrial conflict. Unlike a strike, which is initiated by employees, a lockout is initiated by the employer to suspend work during an industrial dispute. Example: A factory owner temporarily closes the factory because employees repeatedly refuse to follow agreed production schedules during an industrial dispute.
3. **Gherao** - Gherao is a form of protest in which employees surround managers or management representatives and prevent them from leaving their workplace until their demands are heard. It is used by employees as a form of protest to compel management to address their demands, although it may create legal and safety issues if it restricts the movement of individuals. Example: Workers gather outside the manager's office and refuse to allow the manager to leave until discussions begin.
4. **Picketing** - Picketing is generally a peaceful demonstration conducted outside the workplace without obstructing others from entering or leaving the premises. Employees stand near the entrance of the organisation with banners, placards, or slogans to draw public attention to their demands. The objective is to persuade others to support the employees without using violence. Example: Employees stand outside a company's gate carrying placards demanding better safety equipment and fair wages.
5. **Go-Slow** - A go-slow is a situation where employees continue to work but deliberately reduce the speed of their work. Production decreases even though

employees remain present at work. This form of dispute affects organisational productivity without completely stopping work. Example: Workers in a manufacturing plant intentionally reduce the number of products produced each hour as a protest against management decisions.

6. **Sit-down or Stay-in Strike** - A sit-down strike (also called a stay-in strike) occurs when employees remain inside the workplace but refuse to perform their work. Unlike an ordinary strike, employees do not leave the premises. Example: Workers occupy the production floor and remain seated without operating the machines until management agrees to negotiate.
7. **Hunger Strike** - A hunger strike is a protest in which employees or union leaders voluntarily refuse food for a period to highlight their demands and attract public attention. It is generally used when employees believe that other methods of protest have not produced results. Example: Union leaders begin a one-day hunger strike demanding the reinstatement of suspended employees.
8. **Work-to-Rule** - Employees perform only the duties specifically mentioned in their job description and refuse overtime or additional responsibilities. Example: Bank employees work only during official hours and refuse additional work during a dispute over staffing.

HR Insight

Most industrial disputes do not begin with strikes or lockouts. Effective grievance handling, collective bargaining, and conciliation often resolve disagreements before they become major industrial conflicts.

3.1.2.1 Causes of Industrial Disputes

Industrial disputes arise when differences between employers and employees concerning employment or working conditions are not resolved effectively. The major causes include:

1. **Wages and Benefits** : Disputes may arise over wages, salary revisions, bonuses, incentives, or other financial benefits.
2. **Working Conditions** : Poor safety measures, inadequate workplace facilities, excessive workload, or unsuitable working conditions may cause dissatisfaction.
3. **Job Security** : Fear of layoff, retrenchment, termination, or restructuring can create insecurity among employees.
4. **Working Hours** : Disagreements may occur over working hours, overtime, shift schedules, weekly holidays, and leave.
5. **Disciplinary Matters** : Employees may dispute disciplinary actions such as suspension, dismissal, transfer, or other penalties.



6. **Promotion and Transfer** : Perceived unfairness in promotion, transfer, work allocation, or performance evaluation may lead to conflict.
7. **Trade Union Issues** : Disputes may arise over union recognition, representation, membership, or collective bargaining.
8. **Poor Communication** : Lack of consultation, inadequate information, and ineffective communication between management and employees can create misunderstandings.
9. **Technological and Organisational Changes** : Automation, restructuring, mergers, or changes in work methods may create concerns about employment, skills, and job roles.
10. **Unfair Labour Practices** : Discrimination, favouritism, victimisation, or inconsistent application of workplace rules may contribute to industrial disputes.

3.1.3 Introduction to the Industrial Disputes Act, 1947

Imagine that a company suddenly experiences a decline in customer demand. Production decreases, profits fall, and the management decides that it cannot provide work for all employees. Some employees are asked to stay at home temporarily, while others receive notices that their services will no longer be required. Employees become anxious and question whether these decisions are fair and legal.

Situations like these are common in the world of business. Economic slowdown, technological changes, automation, mergers, or organisational restructuring may affect employment. At the same time, employees have legal rights that protect them from unfair treatment.

The Industrial Disputes Act, 1947 was enacted to ensure that such employment-related disputes are handled through fair procedures rather than conflict or confrontation. The Act promotes industrial peace by providing mechanisms for settlement of disputes and by regulating matters connected with employment and termination of workers.

3.1.3.1 What is the Industrial Disputes Act, 1947?

The Industrial Disputes Act, 1947 was enacted by the Government of India in 1947 and came into force on 1 April 1947. It also provides safeguards for employees in cases of lay-off, retrenchment, closure of establishments, and termination of employment.

The Act aims to balance the interests of employers and employees while maintaining industrial harmony and uninterrupted production. The Industrial Relations Code, 2020 consolidates and replaces several earlier labour laws, including the Industrial Disputes Act, 1947.

Did You Know?

India enacted four Labour Codes in 2020 to simplify and consolidate 29 central labour laws into four broad Codes.

3.1.3.2 Objectives of the Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 was enacted to establish a harmonious and healthy industrial environment in India. The Act aims to promote relations between employers and employees and provide a legal framework for resolving disputes in the workplace. This Act seeks to protect the interests of both employees and employers while also ensuring that disputes are resolved amicably and legally. The main objectives of the Industrial Disputes Act, 1947 are described below.

- 1. To Promote Industrial Peace and Harmony** - The main objective of the Industrial Disputes Act is to establish a peaceful and healthy industrial environment. The Industrial Disputes Act provides various mechanisms for promoting industrial peace and harmony at the workplace while ensuring the interests of employers and employees. Example: If employees are not happy with a change in working hours, the management can consult with employee representatives instead of allowing the disagreement to develop into an industrial dispute.
- 2. To Provide Legal Machinery for the Settlement of Industrial Disputes** - The Act provides machinery for the settlement of industrial disputes by way of conciliation, arbitration, labour courts, industrial tribunals, and national tribunals; thus, disputes can be referred to these bodies in a systematic, legal manner. Example: A dispute regarding bonus payment can first be referred to a conciliation officer before approaching the labour courts.
- 3. To Protect Employees Against Unfair Employment Practices** - The Act safeguards employees from unfair dismissal, retrenchment, lay-off, and other forms of exploitation. It ensures that employers follow prescribed legal procedures before taking actions that affect an employee's job. Example: An employer cannot retrench eligible employees without following the legal provisions relating to notice and compensation.
- 4. To Encourage Collective Bargaining and Negotiation** - The Act recognises the importance of discussions and negotiations between employers and employees, often through trade unions. Collective bargaining helps both parties reach mutually acceptable solutions without disrupting industrial peace. Example: A trade union and management may negotiate wage revisions through collective bargaining instead of resorting to industrial action.
- 5. To Prevent Illegal Strikes and Lockouts** - The Act prescribes legal procedures that must be followed before employees go on strike or employers declare a lockout. This helps prevent sudden work stoppages that may affect production, public services, and industrial peace. Example: Employees working in a public utility service must follow the notice requirements prescribed under the Act before going on strike.



6. **To Promote Social Justice in Employment** - The Act seeks to balance the rights and responsibilities of employers and employees. It protects workers from arbitrary decisions while recognising the legitimate business interests of employers, thereby promoting fairness and equity in employment relationships.
7. To regulate lay-off, retrenchment, closure, and termination by prescribing legal procedures.
8. To ensure continuity of production and economic development by reducing industrial unrest.

3.1.3.3 Important Employment Situations Covered Under the Act

A. Lay-off

Lay-off refers to the temporary inability or refusal of an employer to employ workers due to specified business or operational reasons. A lay-off is a situation in which an employer is temporarily unable to provide work to employees due to reasons beyond the employer's control.

In a lay-off, the employment relationship does not end. The employees continue to be part of the organisation, but they are temporarily not assigned work until normal business operations resume.

A lay-off is usually a temporary measure adopted when an organisation faces operational or financial difficulties. Eligible workers who have completed the required period of continuous service receive lay-off compensation under the Act. Once the situation improves, employees are generally called back to work. An employer may declare a lay-off because of several business or operational reasons, such as:

- ◇ Shortage of raw materials required for production.
- ◇ Shortage of power, fuel, or electricity.
- ◇ Breakdown of machinery or equipment.
- ◇ Natural calamities such as floods, earthquakes, or other disasters.
- ◇ Economic slowdown resulting in a fall in demand.
- ◇ Accumulation of unsold stock or finished goods.
- ◇ Any other temporary interruption that prevents the employer from providing work.

Characteristics of Lay-off

The main characteristics of a lay-off are:

- ◇ It is a temporary interruption of work and not a permanent loss of employment.
- ◇ The employee's name continues on the organisation's employment records.

- ◇ The employer is unable to provide work because of business or operational reasons beyond immediate control.
- ◇ Employees remain connected to the organisation and may be recalled when work becomes available.
- ◇ Eligible employees are entitled to lay-off compensation according to the provisions of the Industrial Disputes Act, 1947.

For example: A textile manufacturing company in Kerala receives fewer export orders because of a decline in international demand. As production is temporarily reduced, the company cannot provide work to all employees for two weeks. The management informs employees that production will restart when new orders are received, and the employees will return to work. This is an example of a lay-off because the employees have not lost their jobs permanently; they are only temporarily without work.

B. Retrenchment

Imagine a manufacturing company that introduces automated machines to improve production efficiency. Earlier, 200 employees were engaged in packing and sorting work. After automation, the company requires only 140 employees to perform the same work. Since the organisation no longer needs all the existing employees, it decides to reduce its workforce by following the legal procedure prescribed under labour laws. This situation is an example of retrenchment.

Retrenchment refers to the termination of an employee's service by the employer for reasons other than disciplinary punishment, in accordance with the provisions of the Industrial Disputes Act, 1947. It takes place when an organisation permanently reduces its workforce because it no longer requires the services of certain employees for business or operational reasons. Unlike dismissal, retrenchment is not a punishment for misconduct or poor behaviour.

In simple terms, retrenchment is a permanent reduction in the workforce due to business or operational reasons. An organisation may resort to retrenchment under the following circumstances:

- ◇ Decline in business or financial losses.
- ◇ Reduction in production or business activities.
- ◇ Introduction of automation or new technology that reduces the need for manual labour.
- ◇ Closure or merger of a department or business unit.
- ◇ Organisational restructuring or cost-cutting measures.
- ◇ Elimination of surplus positions within the organisation.

Principle of “Last Come, First Go”

One of the important principles followed in retrenchment is the Last Come, First Go principle. This means that when an employer retrenches employees in a particular category, the employee who joined the organisation most recently is generally retrenched first. However, the employer may depart from this principle if there are valid and justifiable reasons, such as an employee’s special skills, qualifications, or operational requirements.

Example: A company has five machine operators. If only one operator has to be retrenched, the operator who joined the organisation last is generally selected for retrenchment, provided there is no valid reason to retain that employee.

Characteristics of Retrenchment

The important characteristics of retrenchment are as follows:

- ◇ Retrenchment results in the permanent termination of employment for surplus employees.
- ◇ It is carried out for genuine business, economic, or operational reasons and not as a disciplinary action.
- ◇ The employment relationship between the employer and the employee comes to an end.
- ◇ The employer must follow the legal procedure prescribed under the Industrial Disputes Act, 1947 before retrenching eligible employees.
- ◇ Eligible employees are entitled to notice and retrenchment compensation as provided under labour laws.

Conditions to be Followed Before Retrenchment

The Industrial Disputes Act, 1947 lays down certain conditions that employers must follow before retrenching eligible employees. One of the important conditions is that the employer must give the worker one month’s written notice stating the reasons for retrenchment. If the employer does not require the employee to serve the notice period, one month’s wages must be paid instead of notice.

In addition, eligible employees are entitled to retrenchment compensation as provided under the law, and the employer must follow the prescribed legal procedure while carrying out retrenchment.

HR Insight

Retrenchment is one of the most sensitive workforce decisions in Human Resource Management because it directly affects employees’ livelihoods. A responsible HR department ensures that retrenchment is implemented with transparency, proper communication, fairness, and compliance with labour laws, thereby reducing the chances of industrial disputes.

C. Downsizing

Imagine a retail company that has been operating successfully for many years. Over time, customers increasingly shift to online shopping, resulting in a significant decline in sales at physical stores. To reduce operating costs and remain competitive, the company decides to close a few branches, merge some departments, and reduce the number of employees. This planned reduction in the size of the organisation is known as downsizing.

Downsizing is the planned reduction of an organisation's workforce, operations, or organisational structure to improve efficiency, reduce costs, or adapt to changing business conditions. It is a strategic management decision taken when an organisation needs to reorganise its resources for long-term sustainability and better performance.

Downsizing is one of the most important workforce management strategies discussed in Human Resource Management and Industrial Relations. Organisations adopt downsizing when they need to reduce the size of their workforce or restructure their operations because of changes in the business environment. Unlike a lay-off, which is temporary, downsizing is generally a planned and long-term decision taken to improve organisational efficiency and financial performance.

Why Do Organisations Downsize?

Business conditions do not remain the same all the time. Organisations may face financial challenges, technological changes, or changes in customer demand. In such situations, management may decide to reduce the workforce or reorganise operations.

The major objectives of downsizing are:

- ◇ To reduce operating and labour costs.
- ◇ To eliminate unnecessary or redundant jobs and activities.
- ◇ To respond to declining sales, financial losses, or economic recession.
- ◇ To restructure the organisation after a merger or acquisition.
- ◇ To introduce automation or new technology.
- ◇ To focus on core business activities.
- ◇ To improve organisational efficiency, productivity, and competitiveness.

Characteristics of Downsizing

Downsizing has several important characteristics:

- ◇ It is a planned management decision rather than a sudden action.
- ◇ It usually results in a permanent reduction in the workforce or organisational structure.
- ◇ It may affect employees, departments, or business units.



- ◇ It is often linked to organisational restructuring and cost management.
- ◇ HR departments are responsible for implementing downsizing fairly and transparently.

Downsizing does not always mean immediate dismissal of employees. Organisations use different methods depending on their business situation and HR policies. Some of the common methods are Voluntary Retirement Scheme (VRS), Voluntary Separation Scheme (VSS), Attrition, Lay-off or Retrenchment, Hiring Freeze, and Outsourcing.

Downsizing is a Human Resource Management strategy and is not a term specifically defined under the Industrial Disputes Act, 1947. However, downsizing may lead to actions such as retrenchment or closure, which are governed by labour laws.

Example: A retail company in Kerala notices that many customers have shifted to online shopping. As a result, sales in several physical stores decline. The company closes five underperforming branches, transfers some employees to nearby stores, offers voluntary retirement to eligible staff, and stops hiring for vacant positions. This is an example of downsizing because the organisation reduces its workforce and restructures its operations to improve efficiency.

Think and Reflect

A manufacturing company introduces advanced automated machinery that reduces the need for manual workers. The HR department offers voluntary retirement to senior employees, transfers some workers to other departments, and stops recruiting new employees for vacant positions.

Reflect on the following questions:

- ◇ Why is this situation considered downsizing?
- ◇ Which methods of downsizing are used in this example?
- ◇ How can HR reduce the negative impact of downsizing on employees and the organisation?

◇ Bench Employees

Imagine you have joined an IT company after completing your BBA. You finish your first client project successfully, but the next project has not yet started. Although you report to work every day and continue to receive your salary, you are temporarily not assigned to any client project. In today's business environment, especially in the Information Technology (IT), consulting, engineering, and project-based industries, employees are not always assigned continuous work. Sometimes a project is completed, but a new assignment has not yet begun. During this period, the employees remain part

of the organisation and continue to receive their salary, even though they are temporarily without project work. Such employees are commonly known as bench employees.

Bench employees are employees who remain on an organisation's payroll but are temporarily without a client project or regular work assignment while waiting for deployment to a suitable project.

Note

The term bench employee is commonly used in the Information Technology (IT), consulting, and project-based industries. It is a Human Resource Management practice and is not specifically defined under the Industrial Disputes Act, 1947.

Characteristics of Bench Employees

The important characteristics of bench employees are:

- ◇ They remain permanent or contractual employees of the organisation.
- ◇ Their employment relationship continues during the bench period.
- ◇ They are available for deployment whenever a suitable project arises.
- ◇ The bench period is generally temporary and may vary from a few days to several months depending on business requirements.
- ◇ They receive salary and employment benefits according to organisational policy.

Bench Period

The bench period is the period during which an employee is not actively working on a client project but continues to be employed by the organisation.

HR Insight

Organisations use the bench period to improve employees' skills through training, certification programmes, and internal projects so that they are ready for future assignments.

Why do employees remain on the bench?

- ◇ Reasons for Bench Employment
- ◇ Completion of an existing project.
- ◇ Delay in receiving a new client project.
- ◇ Cancellation or postponement of projects.
- ◇ Seasonal decline in business.



- ◇ Skill mismatch for available projects.
- ◇ Waiting for deployment after induction training.

Example: A leading IT company such as Infosys recruits software engineers through campus placements. After completing induction training, some employees wait for their first client assignment while continuing to receive salary and training.

D. Termination

Imagine an employee who has worked in a company for several years. One employee decides to resign after receiving a better career opportunity. Another employee retires after completing the prescribed years of service. At the same time, an organisation facing financial losses may close one of its branches and terminate the services of employees working there. In another case, an employee who repeatedly violates organisational rules may lose the job after a fair disciplinary process. Although the reasons are different, all these situations result in the termination of employment.

Termination of employment is one of the most important and sensitive aspects of industrial relations because it marks the end of the employment relationship between an employer and an employee. Every employee joins an organisation with the expectation of contributing to its growth, while the organisation expects the employee to perform duties responsibly and follow workplace rules.

Termination refers to the formal ending of the employment relationship between an employer and an employee. Once employment is terminated, the employee is no longer part of the organisation, and the employment contract comes to an end.

Termination is not always a punishment. It may happen because of the employee's decision, organisational requirements, business reasons, or disciplinary action. Since termination affects an employee's livelihood, employers must follow fair procedures and labour laws before ending employment.

Reasons for Termination

Organisations may terminate employment for different reasons depending on business needs, employee performance, or organisational policies. Some of the common reasons include:

- ◇ Resignation by the employee.
- ◇ Retirement after completing the prescribed age or years of service.
- ◇ Unsatisfactory performance after following proper performance management procedures.
- ◇ Serious misconduct or violation of organisational rules.
- ◇ Business restructuring or reduction in workforce.
- ◇ Closure of a department or business unit.
- ◇ Expiry of a fixed-term employment contract.

Termination can occur in different forms depending on the reason for ending employment. Voluntary Termination (Resignation), Retirement, Termination During Probation, Termination for Misconduct (Dismissal), Termination Due to Closure

Characteristics of Termination

The important characteristics of termination are as follows:

- ◇ Termination permanently ends the employment relationship between the employer and the employee.
- ◇ Termination may be initiated by the employee (voluntary) or by the employer (involuntary).
- ◇ It must be carried out in accordance with organisational policies and applicable labour laws.
- ◇ Eligible employees are entitled to settlement of wages, leave encashment, gratuity, and other statutory benefits wherever applicable.
- ◇ In cases involving misconduct, termination should be preceded by a domestic enquiry and should follow the principles of natural justice.

Termination is not always a disciplinary action. Organisations terminate employment for different reasons to ensure discipline, improve organisational efficiency, or comply with business requirements.

HR Insight

Termination is one of the most challenging responsibilities of the Human Resource department because it affects both the employee and the organisation. A fair, transparent, and legally compliant termination process helps protect employees' rights, reduces the possibility of industrial disputes, and maintains trust and discipline in the workplace.

Think and Reflect

Read the following situations and identify the correct concept.

- ◇ A software engineer receives a salary but has no client project for three weeks.
- ◇ A factory temporarily closes because of a shortage of raw materials.
- ◇ A company permanently removes 100 surplus employees after installing automated machines.
- ◇ An employee resigns after receiving a better job offer.
- ◇ A retail company closes several branches to reduce operating costs.

Hint: Match each situation with lay-off, retrenchment, downsizing, bench employee, or termination



Aspect	Lay-off	Retrenchment	Downsizing	Termination	Bench Employee
Nature	Temporary	Permanent	Strategic reduction	Employment ends	Temporary idle period
Employment continues?	Yes	No	Depends	No	Yes
Reason	Operational problem	Surplus workforce	Business restructuring	Various reasons	Awaiting project
Compensation	Lay-off compensation	Retrenchment compensation	Depends on action	Statutory benefits if applicable	Salary continues
Industry Example	Factory power shortage	Automation	Retail restructuring	Resignation	Infosys employee awaiting project

Fig. 3.1.1 Distinction between Lay-off, Retrenchment, Downsizing, Termination and Bench Employee

3.1.4 The Industrial Disputes (Central) Rules, 1957

Imagine that a dispute arises in a public sector organisation over wages and working hours. Employees believe that their demands are justified, while the management has a different opinion. Both parties are willing to resolve the issue peacefully, but an important question arises: How should the dispute be reported? Who will conduct the discussions? What is the correct procedure to settle the dispute?

The Industrial Disputes Act, 1947 provides the legal framework for resolving industrial disputes, but it does not explain every step that needs to be followed in practice. To ensure that the provisions of the Act are implemented in a systematic and uniform manner, the Central Government framed the Industrial Disputes (Central) Rules, 1957.

The Industrial Disputes (Central) Rules, 1957 lay down the detailed procedures for implementing the Industrial Disputes Act, 1947. They explain how notices of strikes and lockouts should be issued, how conciliation proceedings should be conducted, how disputes are referred to Labour Courts and Industrial Tribunals, and how records and reports should be maintained during dispute resolution. These rules provide a clear procedural framework for employers, employees, trade unions, and government authorities while dealing with industrial disputes.

3.1.4.1 Meaning of the Industrial Disputes (Central) Rules, 1957

The Industrial Disputes (Central) Rules, 1957 are a set of procedural rules framed by the Central Government under the Industrial Disputes Act, 1947. They prescribe the methods, forms, notices, and procedures to be followed while implementing the provisions of the Act in establishments under the Central Government. These rules help employers, employees, trade unions, conciliation officers, Labour Courts, Industrial Tribunals, and National Tribunals perform their responsibilities in accordance with the law.

3.1.4.2 Importance of the Industrial Disputes (Central) Rules, 1957

The Industrial Disputes (Central) Rules, 1957 play an important role in maintaining industrial peace because they provide a clear procedure for resolving disputes between employers and employees. By prescribing standard procedures, the rules reduce confusion, promote transparency, and ensure that both parties receive a fair opportunity to present their views.

For Human Resource managers, these rules serve as a practical guide for handling industrial disputes in accordance with labour laws. Following the prescribed procedures helps organisations resolve disputes peacefully, avoid unnecessary legal complications, and maintain harmonious industrial relations.

3.1.5 Industrial Employment (Standing Orders) Act, 1946

Imagine that you have joined a manufacturing company as a new employee. On your first day, you are informed about your working hours, leave rules, attendance policy, overtime, disciplinary procedures, and the conditions under which your employment may be suspended or terminated. Since these rules are written down and communicated clearly, every employee knows what is expected in the workplace. This reduces confusion and helps maintain discipline within the organisation.

Now imagine another organisation where no such rules exist. Employees are unsure about working hours, leave, transfers, promotions, or disciplinary procedures. Different supervisors follow different practices, and employees often feel that decisions are unfair or inconsistent. Such uncertainty can lead to misunderstandings, grievances, and industrial disputes.

To avoid these situations and bring uniformity to employment conditions, the Industrial Employment (Standing Orders) Act, 1946 was enacted. The Act requires employers in specified industrial establishments to clearly define and communicate the conditions of employment to employees through written standing orders. These standing orders help both employers and employees understand their rights, responsibilities, and workplace rules.

3.1.5.1 Meaning of the Industrial Employment (Standing Orders) Act, 1946

The Industrial Employment (Standing Orders) Act, 1946 is a labour law that requires employers in certain industrial establishments to prepare and officially certify written rules governing the conditions of employment. These written rules are known as standing orders. Standing orders specify important employment conditions such as classification of employees, working hours, leave, attendance, transfers, misconduct, disciplinary action, suspension, termination, and grievance procedures. Once certified, these rules become binding on both the employer and the employees.

In simple words, standing orders are written workplace rules that clearly explain how employees and employers should function within an organisation.



3.1.5.2 Importance of the Industrial Employment (Standing Orders) Act, 1946

The Industrial Employment (Standing Orders) Act, 1946 plays an important role in maintaining discipline, transparency, and fairness in industrial establishments. It helps create a workplace where employment conditions are clearly defined and applied uniformly to all employees.

The importance of the Act can be understood from the following points:

- ◇ It provides clear and written rules regarding the conditions of employment.
- ◇ It helps employees understand their rights, duties, and responsibilities in the workplace.
- ◇ It promotes uniformity and consistency in the implementation of organisational policies.
- ◇ It reduces misunderstandings and disputes arising from unclear employment conditions.
- ◇ It supports industrial discipline by defining acts of misconduct and disciplinary procedures.
- ◇ It encourages fairness by ensuring that employers follow established procedures before taking disciplinary action.
- ◇ It strengthens harmonious industrial relations by creating transparency in employer–employee relationships.

3.1.6 Industrial discipline and domestic inquiry

Industrial discipline refers to the orderly behaviour expected from employees and employers in an organisation. It involves following organisational rules, regulations, policies, and standards of conduct to ensure smooth functioning and harmonious workplace relationships.

Industrial discipline means maintaining order, obedience, responsibility, and respect for organisational rules in the workplace. Discipline is not about punishment alone. It encourages employees to behave responsibly and helps organisations achieve efficiency, safety, and productivity.

Definitions of Industrial Discipline

Different scholars have explained discipline from the perspective of organisational behaviour and human resource management.

Richard D. Calhoun defines discipline as the force that motivates individuals or groups to observe rules, regulations, standards, and procedures considered necessary for the effective functioning of an organisation.

Michael J. Jucius states that discipline is a condition in which employees willingly follow organisational rules and accepted standards of behaviour.

These definitions show that discipline is both self-control and organisational control aimed at achieving organisational goals.

3.1.6.1 Objectives of Industrial Discipline

Industrial discipline helps organisations create a productive and peaceful work environment. The major objectives include:

- ◇ Maintaining order and discipline in the workplace.
- ◇ Promoting harmonious industrial relations between employers and employees.
- ◇ Ensuring employees follow organisational policies and safety rules.
- ◇ Preventing misconduct, conflicts, and indiscipline.
- ◇ Improving productivity, efficiency, and quality of work.
- ◇ Protecting organisational property and resources.
- ◇ Encouraging ethical behaviour and professional responsibility.

Illustration

A hospital follows strict protocols regarding attendance, patient safety, and confidentiality. When employees follow these rules, patient care improves, and the hospital functions smoothly. This example shows how industrial discipline contributes to organisational effectiveness.

3.1.6.2 Importance of Industrial Discipline

Industrial discipline plays a significant role in creating a positive and productive work environment. It benefits not only employees and employers but also the organisation as a whole. When employees understand workplace rules and follow them responsibly, organisations experience fewer conflicts, better teamwork, and improved overall performance. The importance of industrial discipline can be understood through the following points.

- ◇ **Maintains workplace harmony** : Industrial discipline helps create a peaceful and respectful work environment. When employees follow organisational rules and respect one another, misunderstandings, conflicts, and unhealthy workplace behaviour are reduced.
- ◇ **Improves Productivity** : Employees who follow workplace procedures and perform their responsibilities sincerely contribute to higher productivity. Discipline ensures that work is completed on time, resources are used efficiently, and organisational goals are achieved more effectively.

- ◇ **Ensures Safety at the Workplace :** Every organisation has safety rules and procedures to protect employees and organisational property. Industrial discipline encourages employees to follow these safety guidelines, reducing workplace accidents, injuries, and occupational hazards, especially in factories, hospitals, construction sites, and manufacturing industries.
- ◇ **Builds a Positive Organisational Culture :** A disciplined workplace promotes values such as responsibility, punctuality, teamwork, honesty, and professionalism. When these values become part of everyday work life, they create a strong organisational culture where employees feel accountable for their actions and committed to organisational success.
- ◇ **Reduces Industrial Disputes :** Clear disciplinary rules and fair procedures help prevent many workplace disputes before they become serious conflicts. Employees know what behaviour is expected, and employers follow established procedures while dealing with misconduct. This reduces grievances, strikes, and legal disputes.
- ◇ **Protects the Organisation's Reputation :** Employees represent the organisation through their behaviour and work ethics. A disciplined workforce improves customer confidence, enhances the organisation's public image, and helps build trust among clients, investors, and other stakeholders.

3.1.6.3 Types of Discipline

Industrial discipline can be enforced in various ways depending on the situation in an organisation. Some forms of discipline promote voluntary compliance with rules within a firm, while others are punitive measures for rule violations. A good Human Resource (HR) manager uses a combination of different forms of discipline to enforce a productive working environment. The major forms of industrial discipline are explained below.

1. **Self-Discipline :** Self-discipline may be defined as the willingness of the employees to observe organisational rules, policies, and ethical standards. This attitude is based on personal responsibility, commitment, and professionalism. Employees with self-discipline perform their duties sincerely, maintain punctuality, respect workplace rules, and complete assigned work on time. Example: An employee reaches the office on time every day, follows safety guidelines, and completes assigned tasks without being reminded by the supervisor.
2. **Positive Discipline :** Positive discipline focuses on guiding and encouraging employees to improve their behaviour rather than punishing them. Managers use counselling, coaching, feedback, and motivation to correct minor mistakes. The aim is to help employees understand expectations and improve performance. Example: A customer service executive repeatedly arrives late to work. Instead of issuing immediate punishment, the HR manager discusses the reasons, offers counselling, and helps the employee improve punctuality.

3. **Negative Discipline** : Negative discipline involves disciplinary action when employees repeatedly violate organisational rules or commit serious misconduct. It is used only after fair procedures have been followed. Negative discipline may include warnings, suspension, demotion, or dismissal depending on the seriousness of misconduct. Example: An employee is found guilty of stealing company property after a domestic inquiry. The organisation dismisses the employee according to its certified standing orders.
4. **Preventive discipline** : Preventive discipline is aimed at preventing the occurrence of indiscipline. It is a method where companies set out guidelines, orientation programs, instructions, and complaint structures to avert disagreements among employees. It is more of a preventive measure than corrective action. Example: A manufacturing company conducts regular safety training and explains attendance and leave policies to all new employees during induction.
5. **Corrective Discipline** : Corrective discipline is used after an employee has committed misconduct. The objective is to correct behaviour and prevent similar incidents in the future rather than simply punish the employee. Corrective measures may include counselling, written warnings, retraining, or performance improvement plans. Example: An employee repeatedly fails to follow workplace procedures. HR issues a written warning and provides additional training to improve performance.

Think and Reflect

Identify the appropriate form of industrial discipline in each situation.

Situation

- ◇ An employee follows all workplace rules without supervision.
- ◇ HR provides counselling to improve an employee's attendance.
- ◇ A company conducts safety training to avoid workplace accidents.
- ◇ An employee receives a written warning after repeated negligence.
- ◇ An employee is dismissed after a fair domestic inquiry for serious misconduct.

Disciplinary Actions Available to Employers

Organisations follow progressive discipline depending on the seriousness of misconduct.

Table 3.1.2 Disciplinary Actions

Disciplinary Action	Purpose
Counselling	Correct behaviour through guidance
Verbal warning	Inform employee about minor misconduct
Written warning	Official record of misconduct
Suspension pending inquiry	Temporary removal during investigation
Demotion	Reduce responsibilities in certain cases
Fine or wage deduction	Allowed only under applicable labour laws
Dismissal or termination	For serious misconduct

3.1.6.4 Causes of Indiscipline

The most common causes of indiscipline are:

1. **Absence of effective leadership** : Effective leadership plays a key role in maintaining discipline at the workplace. When managers fail to guide, motivate, or communicate with employees properly, confusion and dissatisfaction may arise. Employees are less likely to follow organisational rules when leadership is weak or inconsistent.
2. **Unfair management practices** : Employees expect fairness in decisions related to promotions, transfers, performance appraisal, rewards, and disciplinary action. When management shows favouritism or treats employees unequally, employees may lose trust in the organisation, leading to indiscipline.
3. **Communication Barriers** : Poor communication often creates misunderstandings between management and employees. When organisational rules, expectations, or policy changes are not communicated clearly, employees may unintentionally violate workplace rules or become dissatisfied.
4. **Non-uniform disciplinary action** : Disciplinary rules should be applied consistently to all employees. If similar misconduct is treated differently for different employees, it creates a feeling of injustice and affects workplace discipline.
5. **Divide and rule policy** : When management encourages rivalry or creates divisions among employees or departments, workplace unity is affected. Such practices reduce cooperation, increase conflicts, and weaken industrial discipline. Example: A manager treats one group of employees more favourably than another, leading to disputes and unhealthy competition within the organisation.

6. **Inadequate attention to personal problems :** Employees may face personal or family difficulties that affect their attendance, behaviour, or performance. If the organisation ignores these genuine concerns and offers no support, employees may become frustrated and disengaged.
7. **Victimisation :** Victimisation occurs when an employee is treated unfairly because of trade union membership, raising a grievance, reporting unethical practices, or expressing legitimate concerns. Such unfair treatment damages employee morale and creates industrial unrest.

3.1.7 Domestic Inquiry

Imagine that an employee working in a manufacturing company was accused of damaging expensive machinery at the time of work. The management suspects the man of negligence and decides to take disciplinary action. However, can the organisation punish the employee immediately without hearing the employee's side of the story?

The answer is no.

Before imposing a major disciplinary punishment such as dismissal or termination for alleged misconduct, the employer generally needs to follow the applicable disciplinary procedure, including a fair domestic inquiry where required. Suspension may, in appropriate circumstances, be ordered pending investigation or inquiry and should not automatically be treated as a punishment.

Meaning of Domestic Inquiry

A domestic inquiry is a formal internal disciplinary proceeding an employer conducts to examine an allegation of misconduct against an employee or worker. It gives both sides an opportunity to present relevant evidence and explanations and enables the competent disciplinary authority to determine, under the applicable rules, whether the charge is established.

3.1.7.1 Principles of Natural Justice in a Domestic Inquiry

In India, labour laws require employers to follow the principles of natural justice before imposing any major disciplinary action on an employee. These principles ensure that disciplinary proceedings are fair, transparent, and free from bias. A domestic inquiry conducted without following natural justice may be challenged before the Labour Court or Industrial Tribunal. The key principles of natural justice are explained below.

1. Rule against Bias – Nemo Judex in Causa Sua

The person who conducts or decides the disciplinary proceeding should be impartial and should not have a personal interest or predetermined position in the matter. Example: If a supervisor has made the complaint against an employee, the supervisor should not ordinarily act as the inquiry officer in the same matter where such involvement creates a reasonable concern about impartiality.



2. Right to a Fair Hearing – Audi Alteram Partem

The employee should be informed of the allegations and given a reasonable opportunity to defend themselves. This may include submitting an explanation, producing relevant evidence, questioning witnesses where permitted, and responding to the evidence presented against them.

3. Fair and Reasoned Decision

The inquiry should be conducted fairly, and the conclusions should be based on the evidence and applicable rules rather than personal prejudice, assumptions or irrelevant considerations. The Supreme Court has stated that disciplinary proceedings can be interfered with where principles of natural justice or applicable statutory rules are violated.

3.1.7.2 Misconduct in Industrial Establishments

Misconduct refers to an act or omission by an employee or worker that violates applicable service rules, standing orders, employment conditions, or established workplace requirements and is treated as misconduct under the applicable rules.

Examples of Acts That May Constitute Misconduct

- ◇ Habitual or unauthorised absenteeism
- ◇ Persistent or habitual late attendance
- ◇ Theft, fraud or dishonesty in connection with employment
- ◇ Wilful or negligent damage to organisational property
- ◇ Fighting, violence or threatening behaviour at the workplace
- ◇ Insubordination or wilful disobedience of lawful and reasonable orders
- ◇ Sexual harassment or other prohibited workplace conduct
- ◇ Unauthorised disclosure of confidential information
- ◇ Violation of workplace safety rules
- ◇ Reporting for duty under the influence of alcohol or prohibited substances, where covered by applicable rules

3.1.7.3 Stages/Process of Domestic Inquiry

A domestic inquiry generally follows a sequence of steps to ensure that the allegation of misconduct is examined fairly. The exact procedure may vary depending on the applicable standing orders, service rules, employment conditions and relevant law.

1. **Preliminary Investigation** : The employer first conducts a preliminary fact-finding exercise to understand the nature of the alleged misconduct and

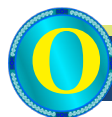
determine whether there is sufficient basis for initiating formal disciplinary proceedings. This may involve examining documents, records, reports or other relevant information.

2. **Issue of Charge-Sheet :** If formal disciplinary proceedings are considered necessary, the employee is served with a charge-sheet or statement of charges. It should clearly state the alleged misconduct and provide sufficient details to enable the employee to understand the allegations and prepare a defence.
3. **Submission of Explanation :** The employee is given a reasonable opportunity to submit an explanation to the charges. The employee may admit the allegation, deny it, provide relevant facts, or explain the circumstances surrounding the incident.
4. **Appointment of Inquiry Officer :** Where a formal inquiry is required, an impartial inquiry officer is appointed to conduct the proceedings. The inquiry officer examines the evidence and determines whether the charges are established based on the material presented during the inquiry.
5. **Presentation of Evidence :** The management presents relevant documents, records and witness evidence supporting the charges. The employee is given a reasonable opportunity to examine and respond to the evidence in accordance with the applicable procedure.
6. **Defence of the Employee :** The employee is allowed to present their defence. This may include submitting documents, producing relevant evidence, responding to the management's evidence and, where permitted, questioning witnesses.
7. **Preparation of Inquiry Report :** After considering the evidence and the defence, the inquiry officer prepares an inquiry report. The report records the charges, evidence considered and findings on whether each charge is established. The inquiry officer generally does not impose the final punishment unless the applicable rules specifically provide otherwise.
8. **Disciplinary Decision :** The competent disciplinary authority considers the inquiry findings and the applicable rules before making the final decision. Depending on the findings and circumstances, the authority may impose an appropriate disciplinary penalty or take other action as permitted under the applicable rules.
9. **Appeal or Review :** Where the applicable service rules, standing orders, or law provide for an appeal or review, the employee may challenge the disciplinary decision through the prescribed mechanism. The appellate or reviewing authority considers the matter in accordance with the applicable rules.



Recap

- ◇ Industrial Relations refers to the relationship between employers, employees, unions, and the government.
- ◇ Industrial Dispute means a conflict connected with employment or labour conditions.
- ◇ Lay-off is the temporary inability to provide work.
- ◇ Retrenchment is the permanent workforce reduction.
- ◇ Standing Orders refer to certified written employment rules.
- ◇ Domestic Inquiry means an internal investigation before punishment.
- ◇ Domestic inquiry is a formal internal disciplinary proceeding conducted to examine an allegation of misconduct. It provides an opportunity to consider evidence and the employee's explanation before the competent authority takes a disciplinary decision.
- ◇ Bench employees are employees who remain on the organisation's payroll but are temporarily without a client project or regular work assignment, particularly in project-based industries such as IT and consulting.
- ◇ Industrial discipline means orderly behaviour, responsibility and adherence to organisational rules, policies and standards. It promotes workplace harmony, productivity, safety and responsible behaviour.



Objective Questions

1. What term refers to the relationship between employers, employees, trade unions and government concerning employment matters?
2. What is the collective work stoppage initiated by employees to express their demands called?
3. What is the temporary inability of an employer to provide work to employees for specified reasons called?
4. What is the permanent reduction of the workforce for reasons other than disciplinary punishment called?
5. What is the planned reduction of an organisation's workforce or operations called?

6. What is the deliberate reduction in the speed of work by employees called?
7. What is the formal internal disciplinary proceeding conducted to examine an allegation of misconduct called?



Answers

1. Industrial Relations
2. Strike
3. Lay-off
4. Retrenchment
5. Downsizing
6. Go-slow
7. Domestic inquiry



Self - Assessment Questions

1. Define industrial relations and explain its importance to an organisation.
2. What is an industrial dispute? Explain the major characteristics of industrial disputes.
3. Explain any five forms of industrial action with suitable examples.
4. Distinguish between lay-off, retrenchment and downsizing.
5. What are bench employees? Explain the major reasons why employees may remain on the bench
6. Discuss the major causes of industrial disputes in an organisation.
7. Define industrial discipline and explain its objectives and importance.
8. What is a domestic inquiry? Explain the principles of natural justice that should be considered in a domestic inquiry.
9. Explain the causes of industrial indiscipline
10. Explain the meaning and importance of the Industrial Disputes Act, 1947.





Assignments

1. A company experiences a prolonged decline in demand and decides to reduce its workforce. Some employees are temporarily denied work, while others are permanently removed after the introduction of automated machinery. The company also closes one of its departments as part of a restructuring programme. Identify and distinguish the concepts involved. Explain how lay-off, retrenchment and downsizing differ in terms of their nature, purpose and effect on employment.
2. An organisation has noticed increasing absenteeism, late attendance, violation of safety rules, and conflicts between employees and supervisors. Management wants to improve workplace discipline without immediately resorting to punitive measures. As an HR manager, prepare a plan explaining how industrial discipline can be strengthened in the organisation.
3. An employee in a manufacturing company is accused of negligence after an expensive machine is damaged. The supervisor who reported the incident wants to conduct the disciplinary inquiry himself and recommends dismissal without allowing the employee to explain.
4. Critically analyse the situation with reference to domestic inquiry and the principles of natural justice. Explain the appropriate procedure that the organisation should follow before taking a disciplinary decision.



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Unit - 2

Trade Union and Collective Bargaining



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the concept and importance of trade unions and collective bargaining in industrial relations
- ◇ describe the objectives, features and provisions of the Trade Unions Act, 1926
- ◇ explain the evolution of the Trade Unions Act in India
- ◇ analyse the major changes introduced through the Trade Unions (Amendment) Act, 2001



Prerequisite

Imagine a manufacturing company where employees believe that their wages do not adequately reflect the work they perform. Some employees are also concerned about long working hours, workplace safety and job security. If one employee approaches the management alone, the employee may have limited bargaining power. But what happens when a group of employees presents the same concerns collectively?

This is where a trade union becomes important. A trade union brings employees together to represent their common interests. Instead of every employee negotiating separately with management, the union acts as a collective voice. It may negotiate on matters such as wages, working conditions, working hours, welfare facilities, job security and other employment-related issues.

For example, suppose 200 employees in a manufacturing unit are concerned about inadequate safety equipment. Rather than submitting 200 separate complaints, the employees may approach management through their union and place a common set of demands. The union can discuss the issue with management and seek a negotiated solution.

Trade unions, therefore, are an important part of industrial relations, which refers to the relationship between employees, employers and their representatives.

However, trade unions are not simply organisations that raise demands or organise protests. A well-functioning union can also participate in negotiations, grievance handling, employee welfare activities and discussions aimed at improving workplace relations.

The legal framework governing trade unions in India has also evolved. The Trade Unions Act, 1926 played a foundational role by providing a legal framework for registering and regulating trade unions. The Act was later amended, including through the Trade Unions (Amendment) Act, 2001. Subsequently, the Industrial Relations Code, 2020 consolidated industrial relations law, and the Code came into force on 21 November 2025. Thus, while the 1926 Act is important for understanding the historical development of trade union law, learners should also understand its place within the present industrial-relations framework. This unit describes the concept of trade unions, their importance, and familiarises learners with the Indian Trade Unions Act, 1926.



Keywords

Trade Union, employees, Industrial Relations Code, Job security, The Trade Unions (Amendments) Act, 2001



Discussion

3.2.1 Meaning of Trade Union

A trade union is an organised association of workers formed primarily to protect and promote their common employment-related interests and to regulate relations between workers and employers. Employees may come together through a trade union to discuss and negotiate matters such as:

- ◇ wages and salary revisions
- ◇ working hours
- ◇ workplace safety
- ◇ leave and welfare facilities
- ◇ job security
- ◇ grievance handling
- ◇ disciplinary matters; and other conditions of employment



The important idea behind a trade union is collective representation. An individual employee may have limited influence when discussing an employment issue with management. A group of employees represented through an organised union can place their common concerns before management in a more structured manner.

Example: Consider a textile company where employees believe that overtime payments are not being calculated properly. Instead of every employee approaching the HR department separately, the employees may raise the issue collectively through their trade union. The union can collect information from employees, discuss the issue with management and seek an appropriate settlement.

Thus, a trade union provides employees with a formal platform through which common employment-related concerns can be expressed and negotiated.

Definition

According to Section 2(h) of the Trade Unions Act, 1926, a trade union is any combination of persons, whether temporary or permanent, primarily for the purpose of regulating the relations between employees and employers, or between employers and employees or between employers and employers, or for imposing restrictive conditions on the conduct of any trade or business, and includes the federation of two or more trade unions.

Membership Requirement for Registration

The Trade Unions Act, 1926 provides that any seven or more members of a trade union may apply for registration by subscribing their names to the rules of the union and complying with the requirements of the Act.

However, the requirement should not be understood to mean that a registered union can continue indefinitely with only seven members irrespective of the size of the establishment.

Table 3.2.1 Membership Requirement for Registration

Requirement	Position
Initial application	Seven or more members may apply, subject to statutory requirements
Continuing membership	At least 10% or 100 workmen, whichever is less, subject to a minimum of seven
Purpose	To ensure that the registered union maintains a meaningful level of representation

The Act also provides a continuing membership requirement for a registered trade union of workmen: it should have at least 10 per cent or 100 workmen, whichever is less, subject to a minimum of seven, among the workmen employed in the establishment or industry with which the union is connected.

Example: Suppose an establishment has 70 workers. Seven members may apply for registration, subject to the requirements of the Act. However, registration and the continuing membership requirement are separate matters. The union must continue to satisfy the statutory membership requirement applicable after registration.

Think About It

If employees have different opinions about wages, working hours or workplace policies, should every employee negotiate separately with management, or can collective representation produce a more organised discussion?

There is no automatic answer to every workplace situation. The important point is to understand how collective representation changes the relationship between employees and management.

3.2.1.1 Features of Trade Unions

1. **Association of Employees/Employers:** A trade union is an organised association formed by employees or employers who have common interests. Workers from the same organisation, occupation or industry unite to protect their economic and social interests. Example: Nurses in a government medical college hospital may form a trade union to negotiate issues related to staffing, working hours, and safety.
2. **Relatively Permanent:** A trade union is generally a permanent organisation. It continues to function even after a particular dispute is settled because it represents the long-term interests of its members. Example: The Tata Steel Workers Union has existed for decades and continues to represent employees in various employment matters.
3. **Voluntary Association:** Membership in a trade union is voluntary. Employees are free to join or leave the union according to their choice, provided they satisfy the membership rules. This voluntary nature reflects democratic participation in industrial relations.
4. **Joint Action:** Trade unions believe in collective action rather than individual action. Employees combine their efforts to negotiate with management on issues affecting all workers. Collective action provides greater bargaining strength and helps employees achieve common goals.
5. **Legal Status after Registration:** A registered trade union enjoys legal recognition under the Trade Unions Act, 1926. It becomes a separate legal

entity with the right to own property, maintain funds, enter into contracts, and represent members before employers and legal authorities.

6. **Democratic Organisation:** Trade unions function on democratic principles. Members elect office-bearers, participate in meetings, and contribute to important decisions affecting the union.
7. **Collective Representation:** A trade union acts as the authorised representative of employees during negotiations, grievance handling, and collective bargaining with management.

3.2.1.2 Why do workers join Unions?

1. **Collective bargaining power :** Employees join trade unions because working together provides greater strength than acting individually. Trade unions help workers secure fair treatment, improve employment conditions and protect their rights.
2. **Protection for their employment rights :** Trade unions help employees address issues such as unfair dismissal, discrimination, unequal pay, and unsafe working conditions through collective representation.
3. **Workplace safety and welfare :** Employees may use collective representation to raise concerns about safety equipment, health facilities, working hours and welfare measures.
4. **Grievance representation :** A union can provide a structured channel through which employees can present workplace grievances.
5. **Participation and voice :** Trade unions provide employees with a platform to express their views on matters affecting their working lives.
6. **Solidarity and mutual support :** Membership can create a sense of cooperation among employees who face common workplace concerns.
7. **Legal and procedural support :** Union representatives may assist employees in understanding workplace rules, labour rights and procedures applicable to employment disputes.

3.2.1.3 Objectives of Trade Unions

Trade unions are established with the primary aim of protecting workers' interests and maintaining harmonious industrial relations. Their objectives extend beyond wage negotiations and include employee welfare, social justice and organisational development.

1. **To Protect the Rights and Interests of Workers :** The foremost objective of a trade union is to safeguard employees from exploitation and ensure fair treatment in the workplace. This includes protection against unfair dismissal, discrimination, and violation of labour rights.

2. **To Secure Fair Wages and Better Compensation :** Trade unions negotiate with employers for fair wages, salary revisions, bonuses, incentives, and other monetary benefits through collective bargaining.
3. **To Improve Working Conditions :** Trade unions seek improvements in working hours, workplace safety, sanitation, leave facilities, healthcare, and other employment conditions. Example: Factory unions negotiate safety equipment and health insurance for workers in hazardous industries.
4. **To Promote Job Security :** Trade unions work towards preventing arbitrary termination, ensuring proper disciplinary procedures and protecting employees during organisational restructuring.
5. **To Promote Employee Welfare :** Trade unions encourage welfare measures such as housing, education, healthcare, recreation, insurance and retirement benefits for employees and their families.
6. **To Maintain Healthy Industrial Relations :** Trade unions act as a communication bridge between employees and employers. They help resolve disputes through negotiation, mediation, and collective bargaining.
7. **To Encourage Collective Bargaining :** Trade unions provide a formal mechanism for negotiating employment conditions, thereby reducing industrial conflicts and promoting peaceful settlements.
8. **To Educate and Develop Workers :** Trade unions organise awareness programmes, training sessions and educational activities to improve workers' knowledge about labour laws, rights and responsibilities.
9. **To Promote Social Justice and Equality :** Trade unions strive to eliminate discrimination and ensure equal treatment irrespective of gender, caste, religion or employment category.
10. **To Contribute to Organisational Growth :** Modern trade unions also cooperate with management to improve productivity, quality, innovation and organisational performance while protecting employee interests.

Illustrative Case: Trade Union and Collective Bargaining in a Steel Company

Tata Steel has one of India's oldest recognised trade unions. When employees demanded wage revisions and improved medical benefits, the union collected workers' concerns and entered into collective bargaining with the management. After several rounds of negotiation, both parties signed a long-term wage settlement that included salary increases, healthcare benefits, and welfare measures. The agreement improved employee satisfaction while maintaining industrial peace and productivity.

This case demonstrates that trade unions are not merely protest organisations; they are important partners in creating a balanced and cooperative industrial relationship between employees and employers.

3.2.1.4 Evolution of Trade Union Legislation in India

The development of trade union legislation in India did not happen overnight. It emerged gradually as industrialisation expanded and workers began organising themselves to address common employment concerns.

Early Industrialisation

During the late nineteenth and early twentieth centuries, the growth of factories, textile mills, plantations, mines and other industries increased the number of industrial workers. Many workers faced difficult employment conditions, including low wages, long working hours and inadequate welfare facilities. As workers began to organise collectively, the need for legal protection and recognition of trade union activities became increasingly important.

Growth of Organised Trade Unionism

The growth of organised labour movements created greater awareness about collective representation. Workers increasingly realised that individual complaints had limited influence and that common concerns could be addressed more effectively through organised action.

Trade Unions Act, 1926

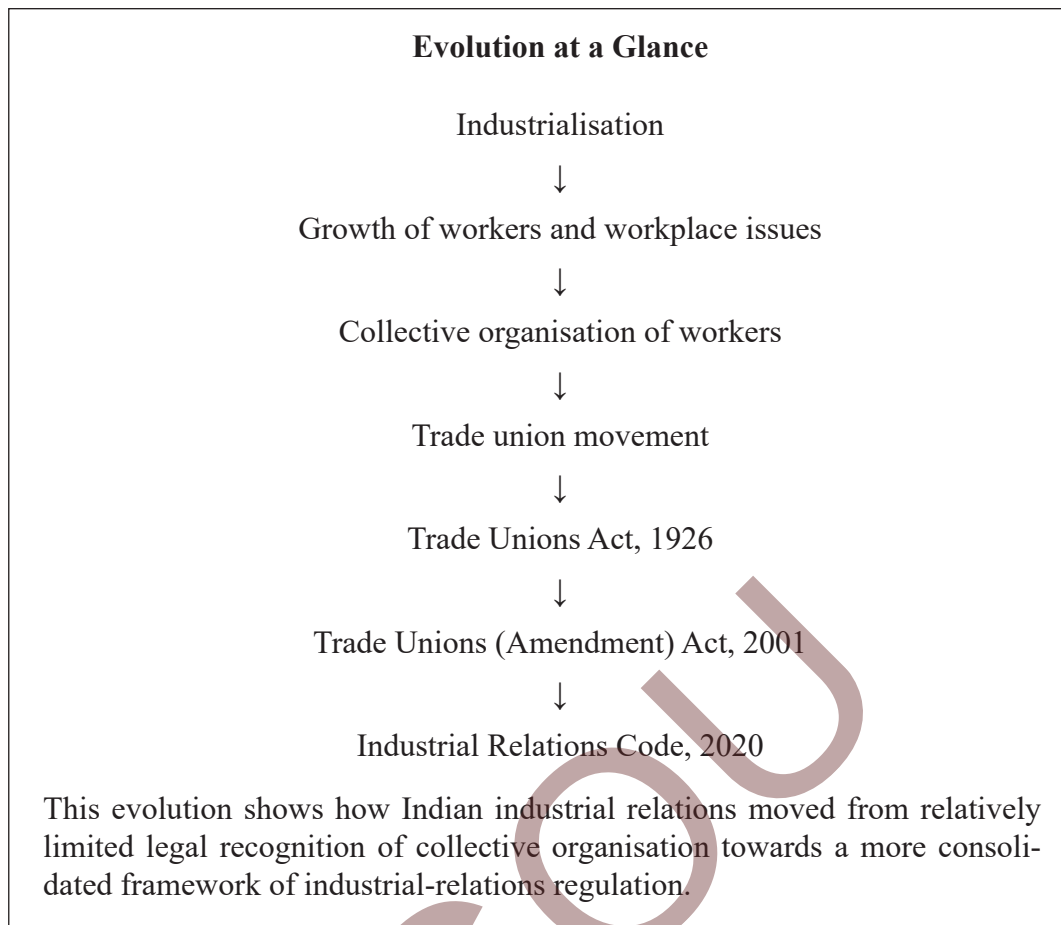
The Trade Unions Act, 1926 provided a formal legal framework for the registration and regulation of trade unions. It became an important foundation for the development of organised trade unionism in India.

Trade Unions (Amendment) Act, 2001

The Act was amended in 2001, with the amendments coming into force from 9 January 2002. The Ministry of Labour states that the amendment sought to promote orderly growth of trade unions, reduce multiplicity of trade unions and promote internal democracy.

Industrial Relations Code, 2020

India subsequently consolidated several central labour laws relating to industrial relations into the Industrial Relations Code, 2020. The Code came into force on 21 November 2025. The Code incorporated the subject matter of the Trade Unions Act, 1926 along with the Industrial Disputes Act, 1947 and the Industrial Employment (Standing Orders) Act, 1946.



3.2.1.5 List of Central Trade Union Organisations recognised by the Ministry of Labour

1. AICCTU – All India Central Council of Trade Unions
2. AITUC – All India Trade Union Congress
3. AIUTUC – All India United Trade Union Centre
4. BMS – Bharatiya Mazdoor Sangh
5. CITU – Centre of Indian Trade Unions
6. INTUC – Indian National Trade Union Congress

3.2.1.6 Collective Bargaining

In every organisation, employees and management may have different expectations and interests regarding wages, working conditions, working hours, job security, productivity and employee welfare. While employees seek fair compensation, better working conditions and security, management must consider organisational costs, productivity, competitiveness and long-term sustainability. These differences can sometimes lead to disagreements or conflicts.



Collective bargaining provides a structured mechanism through which employees, usually represented by a trade union or authorised representatives, negotiate with management to address such issues and arrive at mutually acceptable solutions. Through discussion, negotiation and compromise, both parties can determine employment conditions, resolve workplace issues and maintain harmonious industrial relations. Therefore, collective bargaining is not merely a process of negotiating higher wages; it is an important mechanism for employee representation, conflict resolution, participation and the development of healthy and stable employer–employee relationships.

Meaning

The term collective bargaining is made up of two words: collective and bargaining. The word collective indicates that employees come together and act as a group, usually through a trade union or authorised representatives, while bargaining refers to the process of discussion and negotiation between the parties to arrive at an acceptable agreement.

Thus, collective bargaining refers to the process through which employees, through their representatives, negotiate with employers or management on matters relating to wages, working conditions, benefits, job security and other terms of employment. It provides employees with a collective voice and enables management and employees to address their differences through negotiation rather than individual confrontation.

Definitions

Collective bargaining is a process of negotiating between management and workers, represented by their representatives, for determining mutually agreed terms and conditions of work which protect the interest of both workers and the management.

According to Dale Yoder, “Collective bargaining is essentially a process in which employees act as a group in seeking to shape conditions and relationships in their employment”.

Michael J. Jucious has defined collective bargaining as “a process by which employers, on the one hand, and representatives of employees, on the other, attempt to arrive at agreements covering the conditions under which employees will contribute and be compensated for their services”.

Thus, collective bargaining may be understood as a continuous process through which representatives of employees and employers negotiate employment-related matters and seek to arrive at mutually acceptable agreements.

Example: Suppose employees in a manufacturing company believe that their wages no longer reflect increased living costs. Instead of approaching the HR manager individually, they raise the issue through their recognised union. The union presents a proposal for wage revision, while management examines the company’s financial position, productivity and industry wage levels. After several rounds of discussion, both sides may agree on a revised wage structure. This entire process is an example of collective bargaining.

3.2.1.7 Importance of Collective Bargaining

Collective bargaining is important because it provides a structured platform for employers and employees to discuss their concerns, negotiate employment conditions, and arrive at mutually acceptable solutions. It not only protects employee interests but also helps organisations maintain healthy industrial relations, improve cooperation, and reduce workplace conflicts. The major importance of collective bargaining is discussed below:

- 1. Develops Better Understanding between Employers and Employees :** Collective bargaining brings management and employee representatives together for discussion and negotiation. Management gets an opportunity to understand the needs, concerns and expectations of employees, while employees gain a clearer understanding of the organisation's financial position, operational challenges and limitations. Such two-way communication can reduce misunderstandings and build mutual trust between the two parties.
- 2. Promotes Industrial Democracy :** Collective bargaining allows employees to participate in decisions that affect their working lives. Through their trade union or authorised representatives, employees can express their views and negotiate with management on matters relating to employment. Such participation strengthens the principle of industrial democracy, where employees have a meaningful voice in workplace matters.
- 3. Provides Benefits to Both Employers and Employees :** Collective bargaining seeks to arrive at an agreement that considers the interests of both parties. Employees may obtain improvements in wages, working conditions, welfare benefits or job security, while employers may benefit from greater cooperation, productivity and industrial stability. Therefore, constructive bargaining can create outcomes that are beneficial to both employees and the organisation.
- 4. Helps in Resolving Industrial Disputes :** Differences between employees and management may arise over wages, working conditions, workload, disciplinary matters or other employment issues. Collective bargaining provides an organised mechanism for discussing such differences and seeking negotiated solutions. By addressing concerns through dialogue, it can help prevent disagreements from escalating into prolonged industrial disputes.
- 5. Facilitates Implementation of Agreed Decisions :** Both management and employee representatives participate in negotiating the terms of a collective agreement. Since the parties discuss the issues and arrive at the agreed terms through negotiation, employees are more likely to understand and accept the decisions. This can facilitate smoother implementation of the agreement and reduce resistance or misunderstanding during its execution.
- 6. Adapts to Changing Conditions :** Organisations operate in a constantly changing environment influenced by technology, economic conditions, competition and changing patterns of employment. Such changes may require adjustments in

work practices, working hours, job roles, skills or compensation structures. Collective bargaining provides an opportunity for management and employees to discuss these changes and negotiate suitable arrangements. For example, when automation changes the nature of certain jobs, bargaining may address employee retraining, redeployment and changes in work responsibilities.

3.2.1.8 Process of Collective Bargaining

- ◇ Preparation and identification of issues : Both employees and management identify the issues that need discussion, such as wages, working conditions, benefits, or working hours. Each side prepares its demands and supporting information before negotiations begin.
- ◇ Presentation of demands : The employees' representatives formally present their demands to management. The management may also communicate its proposals or concerns.
- ◇ Negotiation : Representatives of both sides discuss the issues and exchange views to understand each other's expectations. They explore possible solutions through discussion.
- ◇ Bargaining and compromise : Both parties negotiate to reach a mutually acceptable solution. Each side may make certain compromises while protecting its important interests.
- ◇ Agreement : Once both parties reach a common understanding, the terms are formally agreed upon and recorded. The agreement generally specifies the rights, responsibilities, and conditions accepted by both sides.
- ◇ Implementation : The agreed terms are put into practice by the employer and employees. Both parties are expected to follow the conditions included in the agreement.
- ◇ Follow-up and review : The implementation of the agreement is monitored to identify any difficulties or new issues. The parties may review the agreement and make necessary adjustments through further discussion.

3.2.2 Indian Trade Unions Act, 1926

The Indian Trade Unions Act, 1926 is one of the earliest and most important labour laws enacted in India. It was introduced to provide legal recognition and protection to trade unions and to regulate their formation, registration and functioning. Before this legislation, workers' organisations had no legal identity. Employees who joined together to protest against poor wages or working conditions often faced civil and criminal action, and employers could dismiss workers for participating in collective activities.

The Act was passed by the Central Legislative Assembly in 1926 and came into force on 1 June 1927. It extends to the whole of India and provides a legal framework through

which workers and employers can form registered trade unions to regulate their mutual relationship. The Act defines the rights, responsibilities, privileges and liabilities of registered trade unions and establishes procedures for their administration and financial management. It also provides certain legal immunities to registered trade unions for activities carried out in furtherance of legitimate trade disputes.

The Trade Unions Act, 1926 laid the foundation for organised collective representation of workers in India. Although many of its provisions have now been incorporated into the Industrial Relations Code, 2020, the Act remains a landmark legislation for understanding the development of labour laws and industrial relations in India.

3.2.2.1 Why was the Trade Unions Act, 1926 introduced?

The enactment of the Trade Unions Act was closely linked to the rapid industrialisation that took place during the late nineteenth and early twentieth centuries. As factories, textile mills, plantations and mines expanded, the number of industrial workers increased significantly. However, workers were employed under difficult conditions, including long working hours, low wages, unsafe workplaces and the absence of welfare facilities.

Since there was no law recognising workers' organisations, employees had very little bargaining power. Those who organised strikes or collective protests could be prosecuted under criminal law or sued for damages. The growing labour movement in India created the need for legislation that would legally recognise trade unions and protect legitimate union activities. The Act was introduced for the following reasons:

- ◇ **To provide legal recognition to trade unions:** The Act enabled workers and employers to form legally recognised organisations through a formal registration process.
- ◇ **To regulate the formation and registration of trade unions:** It prescribed rules regarding registration, membership, office-bearers and the internal administration of trade unions.
- ◇ **To protect legitimate trade union activities:** Registered trade unions and their members were granted limited immunity from certain civil and criminal proceedings arising out of lawful trade disputes.
- ◇ **To encourage collective representation of workers:** The Act created a legal basis for workers to negotiate collectively with employers regarding wages, working conditions and welfare measures.
- ◇ **To promote orderly industrial relations:** By recognising trade unions within a legal framework, the Act aimed to reduce industrial conflicts and encourage peaceful settlement of disputes between employers and employees.

Thus, the Trade Unions Act, 1926 became the first comprehensive legislation governing trade unions in India and marked the beginning of a structured industrial relations system. It established the legal foundation upon which later labour laws relating to collective bargaining, industrial disputes and workers' rights were developed.



3.2.2.3 Objectives of the Indian Trade Unions Act, 1926

The Act was enacted with several important objectives that continue to guide industrial relations in India.

1. **To Provide Legal Recognition to Trade Unions** - The primary objective is to grant legal status to trade unions. After registration, a trade union becomes a recognised legal body capable of representing workers before employers and courts.
2. **To Regulate the Registration of Trade Unions** - The Act establishes a systematic procedure for the registration of trade unions and prescribes the documents, rules, and conditions necessary for registration.
3. **To Protect the Rights of Workers** - The Act safeguards workers who participate in lawful trade union activities. It protects employees from certain civil and criminal liabilities arising from legitimate trade disputes.
4. **To Promote Collective Bargaining** - Trade unions act as representatives of employees during negotiations on wages, working conditions, welfare measures, and other employment issues.
5. **To Promote Industrial Peace and Harmony** - By providing a legal mechanism for resolving disputes through negotiation, the Act helps reduce industrial conflicts and promotes cooperation between labour and management.
6. **To Regulate the Internal Administration of Trade Unions** - The Act requires trade unions to maintain proper accounts, submit annual returns, elect office-bearers, and manage union funds transparently.

3.2.3 Trade Unions (Amendment) Act, 2001

The Trade Unions Act, 1926 was amended in 2001, with the amendment coming into force on 9 January 2002. The Ministry of Labour identifies the objectives of the amendment as promoting the orderly growth of trade unions, reducing the multiplicity of trade unions, and promoting internal democracy.

Major changes

1. **Membership requirements** : The amendment introduced provisions relating to the minimum membership that a registered trade union of workmen should maintain. The requirement is linked to 10% or 100 workmen, whichever is less, subject to a minimum of seven.
2. **Continuity of registration** : The amendment strengthened the requirement that a registered union should continue to satisfy the prescribed membership requirement.
3. **Internal democracy** : The amendment introduced provisions concerning the election and tenure of office-bearers and the internal administration of trade unions.

4. **Financial and administrative accountability** : The amendment strengthened requirements relating to the functioning and administration of registered trade unions.
5. **Objective of reducing multiplicity** : The amendment was intended, among other things, to encourage more orderly trade union development and reduce excessive fragmentation of union representation.

Example : Suppose a large factory has several small unions, each representing a limited group of workers. If employees are divided among too many unions, management may receive multiple and sometimes conflicting demands.

A framework that encourages more stable and representative unions can potentially make collective representation more organised.

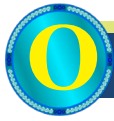


Recap

- ◇ A trade union is an organised association formed to protect and promote the common interests of workers.
- ◇ Trade unions provide employees with a collective voice when dealing with management.
- ◇ Trade unions may deal with issues such as wages, working hours, workplace safety, welfare, job security and grievances.
- ◇ The major objectives of trade unions include protecting workers' interests, securing fair wages, improving working conditions, promoting job security and employee welfare.
- ◇ Trade unions also seek to promote collective bargaining, healthy industrial relations, social justice and employee participation.
- ◇ The Trade Unions Act, 1926 provided a legal framework for the registration and regulation of trade unions in India.
- ◇ The Trade Unions (Amendment) Act, 2001 aimed to promote the orderly growth of trade unions, internal democracy and reduction of multiplicity of trade unions.
- ◇ The Industrial Relations Code, 2020 represents a later stage in the development of India's industrial-relations framework and came into force on 21 November 2025.
- ◇ Collective bargaining is a negotiation process between employers and employees or their representatives.
- ◇ It covers wages, working conditions, welfare, job security and other employment matters.



- ◇ Effective collective bargaining can promote employee participation, industrial peace and mutually acceptable employment arrangements.



Objective Questions

1. What is the organised association of workers formed to protect their common interests called?
2. Which Act provided the legal framework for registration of trade unions in India?
3. In which year was the Indian Trade Unions Act enacted?
4. Which amendment introduced important changes relating to trade union membership and internal democracy?
5. What is the process through which employee representatives and management negotiate employment-related matters called?



Answers

1. Trade Union
2. Trade Unions Act
3. 1926
4. 2001
5. Collective Bargaining



Self - Assessment Questions

1. What is a trade union? Explain its importance in industrial relations.
2. Explain any five important features of trade unions.
3. Why do workers join trade unions? Explain the major reasons.
4. Discuss the major objectives of trade unions.

5. Why was the Trade Unions Act, 1926, introduced in India? Explain.
6. Explain the major changes introduced through the Trade Unions (Amendment) Act, 2001.
7. What is collective bargaining and state its importance?



Assignments

1. A group of employees in a manufacturing company is dissatisfied with wages and workplace safety. Instead of approaching management individually, they decide to act collectively through a trade union. Analyse how the trade union can help the employees address these issues and maintain a healthy relationship with management.
2. "Trade unions are more than organisations that raise employee demands." Discuss this statement by analysing the major roles and objectives of trade unions in maintaining healthy industrial relations.
3. Compare the Trade Unions Act, 1926 and the Trade Unions (Amendment) Act, 2001.
4. A manufacturing company is introducing automation that may change job roles and skill requirements. As an HR manager, explain how collective bargaining could be used to manage the transition while considering the interests of both employees and management.



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BLOCK - 04



Labour Law - Compliance and Audit

Unit - 1

Furnishing Returns and Maintaining Registers



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the meaning and importance of labour-law compliance, statutory returns and statutory registers
- ◇ describe the background, objectives and development of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988
- ◇ identify the establishments to which the simplified procedure applies, including the categories of small and very small establishments
- ◇ explain the requirements relating to furnishing the annual return and maintaining the prescribed registers under the simplified procedure



Prerequisite

Every organisation that employs people has to deal with various legal requirements relating to wages, working conditions, employment records and other aspects of employment. These requirements often involve maintaining prescribed records and registers and furnishing information to the appropriate authorities. When several labour laws apply to the same establishment, the number of records and returns can also increase.

How can an establishment maintain the information required by law without unnecessary duplication? What records must be maintained, what information must be furnished, and how can these requirements be simplified for smaller establishments? The Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 provides a statutory framework for addressing these questions. This unit examines the simplified procedure, its applicability and the responsibilities associated with maintaining and furnishing labour-law records.



Keywords

Labour-law compliance, statutory returns, statutory registers, Scheduled Acts, establishment, employer, small establishment, very small establishment, annual return, Form I, Form II, Form III, simplified procedure, labour records, inspection, electronic records, continuing obligations, wage slips, accident returns, penalty



Discussion

4.1.1 Labour-Laws and Compliance

Labour laws regulate various aspects of employment, including wages, working conditions, safety, welfare, social security and other conditions of employment. Compliance with these laws requires employers to follow the applicable legal requirements and, where prescribed, maintain records, registers and other documents and furnish returns to the concerned authorities.

Labour-law compliance refers to the process of fulfilling the legal requirements applicable to an establishment in relation to its employees and employment practices. It includes identifying the applicable requirements, maintaining prescribed records, furnishing required returns and producing relevant documents when required by a competent authority.

For an organisation, labour-law compliance is an ongoing responsibility. Records and returns must be accurate and up to date, and compliance practices may need to change when applicable legal requirements change.

4.1.1.1 Statutory Returns and Registers

Statutory returns and statutory registers are important components of labour-law compliance.

A statutory return is a report containing information that an establishment is required by law to submit to a specified authority. The information, frequency and manner of submission depend on the applicable legislation.

A statutory register is a record maintained by an employer in the form and manner prescribed by law. It may contain information relating to employees, wages, attendance, working conditions or other matters specified under the applicable legislation.

A register generally provides a continuing record maintained by the establishment, while a return provides specified information to the concerned authority. Both may be used to verify compliance during inspection or other legal proceedings.



4.1.1.2 Importance of Labour Records

Proper labour records provide documentary evidence of employment-related matters and help organisations demonstrate compliance with applicable legal requirements. They can also assist in dealing with inspections, employee claims, disputes and requests for information from competent authorities.

Accurate records enable the verification of matters such as wages, attendance, leave and other employment conditions. They also assist regulatory authorities in examining compliance with applicable requirements.

Where several labour laws apply to an establishment, maintaining separate registers and furnishing multiple returns may create an administrative burden, particularly for establishments with a small workforce.

4.1.1.3 Simplification of Compliance Procedures

The Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 was enacted to simplify specified procedures relating to labour-law returns and registers.

The Act provides a simplified mechanism for qualifying establishments in place of certain returns and registers required under the Scheduled Acts. Following the 2014 amendment, Section 4 provides for an annual return in Form I and prescribed registers in Forms II and III, depending on the category of establishment.

The simplified procedure concerns the manner of maintaining records and furnishing returns. It does not amount to a general exemption from labour-law obligations. Certain requirements continue to apply even when an establishment follows the simplified procedure.

4.1.1.4 Labour-Law Compliance in Organisations

Labour-law compliance requires coordination between management, human resource personnel, payroll and other persons responsible for maintaining employment records.

An establishment should ensure that:

- ◇ applicable labour-law requirements are identified;
- ◇ prescribed records are maintained accurately;
- ◇ required returns are furnished within the applicable time;
- ◇ records are maintained in the prescribed or permitted form; and
- ◇ relevant documents are available when required for inspection or verification.

Effective record management helps an organisation demonstrate compliance and respond appropriately to statutory requirements.

Contemporary Context

India's labour-law framework has undergone a major statutory change. The Code on Wages, 2019; Industrial Relations Code, 2020; Code on Social Security, 2020; and Occupational Safety, Health and Working Conditions Code, 2020 came into force on 21 November 2025. The Government states that the four Codes rationalised 29 existing central labour laws.

4.1.2 Background of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988

The administration of labour laws requires employers to maintain various records and furnish returns to the appropriate authorities. Over time, establishments covered by different labour laws could face the need to maintain several registers and submit multiple returns containing overlapping information. This created an administrative burden, particularly for establishments with a relatively small workforce.

To simplify these procedures, the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 was enacted. The Act was enacted on 24 September 1988 and came into force on 1 May 1989. Its purpose was to simplify the procedure for furnishing returns and maintaining registers by certain establishments.

The Act provides a mechanism through which qualifying establishments can comply with specified record-keeping and return-furnishing requirements through prescribed consolidated forms instead of maintaining separate records and submitting separate returns under each of the specified labour laws.

4.1.2.1 Objectives

The main objectives of the Act are:

- ◇ to simplify the procedure for furnishing labour-law returns;
- ◇ to reduce the number of separate registers that qualifying establishments are required to maintain;
- ◇ to reduce duplication of information in labour-law records;
- ◇ to make compliance procedures more convenient for smaller establishments; and
- ◇ to facilitate the maintenance and verification of employment-related records.

The Act therefore focuses mainly on simplifying the procedure of compliance, rather than removing the substantive rights and obligations created by labour legislation.



4.1.2.2 Development of the Act

The original legislation was subsequently amended to further simplify the compliance requirements. An important change was introduced through the Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments) Amendment Act, 2014, which came into force on 1 January 2015.

The amendment replaced the earlier Section 4 and introduced a classification of establishments based on the number of persons employed. It provides different simplified requirements for small establishments and very small establishments. The amended framework also introduced specified consolidated forms for returns and registers.

The present framework should therefore be understood primarily with reference to the amended provisions.

4.1.2.3 Basic Approach of the Act

The Act provides a simplified method of recording and reporting information for establishments that satisfy the prescribed conditions. Instead of maintaining certain separate registers and furnishing certain separate returns under the Scheduled Acts, a qualifying establishment follows the consolidated procedure prescribed under the Act.

The simplified procedure concerns the manner in which specified information is recorded and furnished. It does not remove the substantive obligations arising under the applicable labour laws. The employer remains responsible for complying with those requirements.

4.1.3 Scope and Applicability of the Act

The Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 applies to establishments covered by the Scheduled Acts and falling within the categories specified under the Act. The simplified procedure is mainly intended for establishments employing a relatively small number of persons.

The scope of the Act can be understood by examining the meaning of establishment, employer, Scheduled Acts, small establishment and very small establishment.

4.1.3.1 Establishment

For the purposes of the Act, “establishment” has the meaning assigned to it in the relevant Scheduled Act. The Act also specifically includes certain establishments covered by laws such as the Payment of Wages Act, 1936, the Factories Act, 1948, the Minimum Wages Act, 1948, the Plantations Labour Act, 1951 and the Working Journalists and other Newspaper Employees (Conditions of Service and Miscellaneous Provisions) Act, 1955.

Therefore, whether an establishment comes within the Act depends on the relevant Scheduled Act applicable to it.

4.1.3.2 Employer

Under the Act, “employer” has the meaning assigned to the term in a Scheduled Act where that Act defines it. In relation to a Scheduled Act that does not define the term, it means the person required to furnish returns or maintain registers under that Act.

The employer or the person responsible for the relevant compliance function is responsible for furnishing the prescribed annual return and maintaining the required registers in accordance with the Act.

4.1.3.3 Scheduled Acts

“Scheduled Acts” means the Acts specified in the First Schedule to the 1988 Act, together with the rules made under those Acts.

The simplified procedure is therefore not a general requirement applicable to every labour law. It applies to the returns and registers covered by the specified Scheduled Acts, subject to the conditions of the 1988 Act.

4.1.3.4 Small Establishment

A small establishment means an establishment in which not less than 10 and not more than 40 persons are employed or were employed on any day during the preceding twelve months. The upper limit of 40 was introduced by the 2014 amendment, replacing the earlier limit of 19 persons.

For a small establishment to which a Scheduled Act applies, the employer may follow the simplified procedure under Section 4, subject to its conditions. The employer furnishes the annual return in Form I and maintains the registers in Forms II and III in place of the specified returns and registers covered by the simplified provision.

4.1.3.5 Very Small Establishment

A very small establishment means an establishment in which not more than nine persons are employed or were employed on any day during the preceding twelve months.

A qualifying very small establishment furnishes the annual return in Form I and maintains the register in Form III in accordance with Section 4.

4.1.3.6 Determining Applicability

The simplified procedure under the Act applies when an establishment satisfies the conditions specified in the legislation. The establishment must first be one to which a Scheduled Act applies. Its workforce is then considered to determine whether it falls within the category of a small establishment or a very small establishment.

The number of persons employed is determined with reference to any day during the preceding twelve months. Therefore, the workforce on the date of inspection or compliance review alone is not sufficient to determine the applicable category.



Satisfying the prescribed employee threshold by itself does not automatically make an establishment eligible for the simplified procedure. The applicable Scheduled Act and the other relevant conditions of the 1988 Act must also be considered.

4.1.3.7 Scope of the Simplified Procedure

For a qualifying small or very small establishment to which a Scheduled Act applies, Section 4 provides that certain returns and registers required under that Scheduled Act need not be separately furnished or maintained when the employer follows the alternative requirements prescribed under the 1988 Act. The employer must instead furnish the prescribed annual return and maintain the applicable consolidated registers.

Certain obligations continue even when the simplified procedure is followed. These include specified wage slips and, in the circumstances stated in Section 4, accident-related returns.

The scope of the Act is therefore procedural rather than a complete exemption from labour-law obligations. It simplifies specified record-keeping and return-furnishing requirements while retaining other applicable obligations.

4.1.4 Furnishing Returns and Maintaining Registers

A statutory return is a statement containing prescribed information that an establishment is required to furnish to the concerned authority under labour legislation. A statutory register is a record maintained by an employer in the form and manner prescribed by law.

The 1988 Act simplifies these requirements for qualifying establishments by providing prescribed consolidated forms in place of certain separate returns and registers under the Scheduled Acts.

4.1.4.1 Annual Return – Form I

Under Section 4, a qualifying small establishment or very small establishment is required to furnish the annual return in Form I in accordance with the prescribed requirements.

The annual return consolidates specified information that would otherwise be furnished through separate returns under the relevant Scheduled Acts. The information furnished should be accurate and based on the records maintained by the establishment.

The return is furnished in the prescribed manner and within the applicable period to the authority specified under the relevant requirements.

4.1.4.2 Registers – Forms II and III

The Act prescribes different registers according to the category of establishment.

A qualifying small establishment is required to maintain:

- ◇ Form II – Register of Persons Employed-cum-Employment Card
- ◇ Form III – Muster Roll-cum-Wage Register

A qualifying very small establishment is required to maintain:

- ◇ Form III – Muster Roll-cum-Wage Register

These consolidated registers bring together prescribed employment-related information that would otherwise be maintained in separate registers under the Scheduled Acts.

4.1.4.3 Information Recorded in the Prescribed Forms

The prescribed forms contain information relating to the establishment and its employees. Depending on the form, this may include particulars of employees, employment, attendance, wages and other information required under the applicable provisions.

The records should be updated regularly and should accurately reflect the employment information of the establishment.

4.1.4.4 Maintenance and Furnishing of Records

The prescribed returns and registers should be maintained in the manner required under the Act and the applicable rules. Records may be maintained electronically where permitted, provided that the information remains accessible and can be produced when required.

The information contained in the annual return should be consistent with the relevant employment and wage records. Proper maintenance of supporting records helps in verifying the accuracy of the information furnished.

4.1.4.5 Production for Inspection

The prescribed returns and registers may be examined by an Inspector or other competent authority in accordance with the applicable provisions. Where records are maintained electronically, the required information should be capable of being produced in the prescribed manner.

The establishment should therefore ensure that the records are complete, updated and readily accessible for inspection or verification.

4.1.5 Simplified Compliance and Continuing Obligations

The 1988 Act provides a simplified procedure for qualifying small and very small establishments to reduce the need for maintaining multiple registers and furnishing separate returns under the Scheduled Acts.



Under Section 4, where a Scheduled Act applies to a qualifying small or very small establishment, the employer is not required to furnish the returns or maintain the registers prescribed under that Scheduled Act if the alternative requirements under the 1988 Act are followed. The employer must instead furnish the annual return in Form I and maintain the prescribed registers in Forms II and III for small establishments or Form III for very small establishments.

4.1.5.1 Nature of the Simplification

The simplification relates primarily to the procedure for maintaining records and furnishing returns. It replaces specified individual returns and registers with consolidated forms.

It does not remove the substantive requirements of the Scheduled Acts. The rights, duties and standards established under the applicable labour legislation continue to apply unless specifically altered by law.

4.1.5.2 Wage Slips and Other Specified Records

Certain record-keeping requirements continue even when the simplified procedure is followed.

The employer must continue to issue wage slips in the form prescribed under the applicable Minimum Wages Rules. Where applicable, slips relating to the measurement of work done by piece-rated workers must also continue to be issued under the relevant rules.

These requirements ensure that employees continue to receive prescribed information relating to their wages and, where relevant, the basis on which piece-rated work is measured.

4.1.5.3 Accident-Related Returns

The simplified procedure does not remove the requirement to file specified accident-related returns.

Section 4 requires the filing of returns relating to accidents under the provisions specified in the Factories Act, 1948 and the Plantations Labour Act, 1951, where those provisions apply.

Thus, accident reporting remains a separate statutory obligation even where other returns and registers are covered by the simplified procedure.

4.1.5.4 Other Provisions of Scheduled Acts

Except for the specific exemptions and alternative requirements provided by Section 4, other provisions of the applicable Scheduled Act continue to operate.

This includes provisions relating to the inspection of registers and furnishing copies of records to the competent authorities. The simplified procedure therefore does not prevent authorities from examining the records maintained under the Act.

4.1.5.5 Protection from Penalty for Specified Non-Furnishing

Section 4 also provides protection from penalty for failure to furnish a return or maintain a register under a Scheduled Act where the employer has complied with the alternative return and register requirements prescribed under the 1988 Act.

This protection applies to the specific returns and registers replaced by the simplified procedure. It does not provide a general exemption from penalties for other violations of the applicable labour legislation.

4.1.5.6 Physical and Electronic Records

The annual return, prescribed registers, wage slips, wage books and other specified records may be maintained in physical or electronic form, subject to the requirements of Section 4.

Where records are maintained electronically, a printout of the relevant records or part of them must be made available to the Inspector on demand. The Act also permits the annual return to be furnished electronically where the Inspector or prescribed authority has the facility to receive it.

The simplified procedure therefore provides flexibility in record maintenance while retaining the requirement that records remain accessible for inspection and verification.

4.1.6 Inspection, Non-Compliance and Penalty

Inspection is an important part of labour-law administration. It enables the competent authority to verify whether an establishment is maintaining the prescribed records and furnishing the required returns in accordance with the applicable provisions.

4.1.6.1 Role of the Inspector

An Inspector appointed under the applicable Scheduled Act may examine the records maintained by an establishment for the purpose of verifying compliance.

The Inspector may require the employer to produce the prescribed returns, registers and other relevant records. Where records are maintained electronically, the required information should be capable of being produced in the form required for inspection.

The simplified procedure does not prevent inspection of the records maintained under the 1988 Act. Its purpose is to reduce duplication in record keeping and reporting, while retaining regulatory oversight.

4.1.6.2 Verification of Returns and Registers

During verification, the information contained in the annual return and prescribed registers may be compared with the underlying employment and wage records.

Particular attention may be given to:

- ◇ the number of persons employed;
- ◇ employee particulars;
- ◇ attendance and employment records;
- ◇ wages and related entries;
- ◇ consistency between the annual return and prescribed registers; and
- ◇ availability of records required to be produced for inspection.

Accurate and regularly updated records make such verification easier and help establish the reliability of the information furnished.

4.1.6.3 Common Compliance Deficiencies

Common deficiencies in maintaining returns and registers may include:

- ◇ incomplete employee particulars;
- ◇ inaccurate or outdated entries;
- ◇ differences between wage records and statutory registers;
- ◇ failure to update records regularly;
- ◇ failure to furnish the required annual return;
- ◇ failure to produce records when required; and
- ◇ incorrect use of the simplified procedure by an establishment that does not satisfy the prescribed conditions.

Such deficiencies may require corrective action and, where applicable, may attract legal consequences under the relevant legislation.

4.1.6.4 Non-Compliance

Non-compliance occurs when an employer fails to fulfil a requirement applicable to the establishment. Under the 1988 Act, this may include failure to follow the prescribed simplified procedure or failure to comply with requirements that continue to apply despite the simplification.

It is important to distinguish between failure to maintain a register or furnish a return that has been validly replaced under Section 4 and failure to comply with a requirement

that continues to apply. The protection provided by the Act applies only to the specific returns and registers covered by the simplified procedure.

4.1.6.5 Penalty

The Act provides penalties for specified contraventions. Section 5 deals with penalties where an employer fails to furnish the return or maintain the register in accordance with the requirements of the Act.

At the same time, Section 4 provides protection from penalty for failure to furnish a return or maintain a register under a Scheduled Act where the employer has complied with the alternative requirements prescribed under the 1988 Act.

The protection is therefore conditional. It depends on proper compliance with the simplified procedure and does not extend to other violations of the applicable labour legislation.

4.1.6.6 Corrective Compliance

Where deficiencies are identified, the establishment should take appropriate corrective action. This may include updating incomplete records, correcting inaccurate entries, furnishing an outstanding return or producing records required by the competent authority.

Where appropriate, corrective action should also address the cause of the deficiency to reduce the possibility of recurrence. A record of the corrective action taken may help demonstrate subsequent compliance.

4.1.7 Practical Application

The simplified procedure under the 1988 Act can be understood more clearly by applying its requirements to typical establishment-level situations. The following illustrations demonstrate how the category of an establishment and the corresponding record-keeping requirements can be identified.

4.1.7.1 Identifying the Category of an Establishment

Consider an establishment to which a Scheduled Act applies and which employed 25 persons on a day during the preceding twelve months.

Since the number of persons employed falls between 10 and 40, the establishment falls within the category of a small establishment, provided the other conditions of the Act are satisfied.

The employer can therefore follow the simplified procedure applicable to a small establishment, including furnishing Form I and maintaining Forms II and III.

If the establishment employed 7 persons on any day during the preceding twelve months and satisfies the other applicable conditions, it falls within the category of a very small establishment. The applicable simplified procedure requires Form I and Form III.



4.1.7.2 Identifying the Required Forms

The following basic distinction can be used when determining the prescribed forms:

Category	Annual Return	Registers
Small establishment	Form I	Form II and Form III
Very small establishment	Form I	Form III

The forms should be used only where the establishment satisfies the conditions for the simplified procedure under the Act.

4.1.7.3 Illustrative Compliance Situation

A small establishment maintains its employee and wage information in Forms II and III and furnishes the annual return in Form I. During an inspection, the Inspector asks for the records supporting the information contained in the annual return.

The employer should be able to produce the prescribed registers and relevant supporting records. The information in the return should correspond with the entries in the registers and other employment records.

If an entry is incomplete or inconsistent, the establishment should identify the reason for the discrepancy and take appropriate corrective action.

4.1.7.4 Basic Compliance Checklist

An establishment following the simplified procedure can use the following checklist:

- ◇ confirm that the establishment is covered by a Scheduled Act;
- ◇ determine whether it falls within the small or very small establishment category;
- ◇ identify the applicable forms;
- ◇ maintain the prescribed registers accurately and regularly;
- ◇ furnish the annual return in Form I as required;
- ◇ continue to comply with obligations that are not replaced by the simplified procedure;
- ◇ keep records accessible for inspection; and
- ◇ review the records periodically for accuracy and consistency.

4.1.7.5 Practical Significance

The practical value of the simplified procedure lies in reducing duplication while retaining the information necessary for labour-law administration. An establishment does not need to maintain multiple records merely because several Scheduled Acts apply where those records are validly replaced by the consolidated forms under the Act.

At the same time, simplification requires careful identification of the establishment's category and the requirements that continue to apply. Incorrect classification or failure to maintain the prescribed forms can result in non-compliance.

Contemporary Context

India's labour-law framework has undergone significant statutory changes in recent years. The Code on Wages, 2019; Industrial Relations Code, 2020; Code on Social Security, 2020; and Occupational Safety, Health and Working Conditions Code, 2020 came into force on 21 November 2025. These Codes rationalised a number of earlier central labour laws and introduced a more consolidated framework for labour regulation.

The 1988 Act belongs to the earlier framework of labour-law administration and specifically addresses the simplification of returns and registers for certain establishments. Its provisions should therefore be understood in their statutory context rather than treated as a complete description of the present labour-law compliance system.

The experience of the 1988 Act remains relevant in understanding the development of simplified, consolidated and less duplicative compliance procedures. The broader movement towards digital records, electronic filing and consolidated compliance requirements reflects a continuing effort to make regulatory administration more systematic.

For present-day compliance, the applicable provisions of the current labour-law framework, together with relevant rules, notifications and administrative requirements, must be considered. The 1988 Act should not be applied to a current compliance situation without first determining whether its provisions remain applicable to that situation.

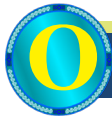


Recap

- ◇ Labour-law compliance involves fulfilling the legal requirements applicable to an establishment, including maintaining prescribed records and registers and furnishing required returns.
- ◇ Statutory returns provide information to the concerned authorities, while statutory registers record employment-related information required under applicable labour laws.
- ◇ The Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988 provides a simplified procedure for certain qualifying establishments covered by the Scheduled Acts.



- ◇ The simplified procedure applies to specified categories of small and very small establishments, subject to the conditions prescribed under the Act.
- ◇ The prescribed forms under the simplified procedure include Form I, Form II and Form III, depending on the category of establishment.
- ◇ The simplified procedure reduces duplication in maintaining registers and furnishing returns but does not remove the substantive obligations imposed by applicable labour laws.
- ◇ Certain continuing obligations, including wage slips and specified accident-related returns, remain applicable where prescribed.
- ◇ Labour records and returns should be accurate, complete, up to date and capable of being produced for inspection or verification when required.
- ◇ Inspection may involve comparing returns, registers, attendance records, wage records and other employment documents to identify discrepancies or deficiencies.
- ◇ Non-compliance may arise from incomplete records, inaccurate entries, failure to furnish returns or failure to produce required records, requiring appropriate corrective action.
- ◇ The practical application of the compliance requirements involves determining the category of an establishment, identifying the applicable forms and maintaining consistent employment records.



Objective Questions

1. What is labour-law compliance?
2. Which Act provides a simplified procedure for furnishing returns and maintaining registers?
3. In which year was the Act enacted?
4. What is the annual return prescribed under the simplified procedure?
5. Which form is the Register of Persons Employed-cum-Employment Card?
6. Which form is the Muster Roll-cum-Wage Register?
7. What is the maximum number of persons in a very small establishment?
8. What is the minimum number of persons for an establishment to be classified as small?

9. Who is authorised to examine labour records during an inspection?
10. What action should be taken when a compliance deficiency is identified?



Answers

1. Legal requirements
2. 1988 Act
3. 1988
4. Form I
5. Form II
6. Form III
7. 9 persons
8. 10 persons
9. Inspector
10. Corrective action



Self - Assessment Questions

1. Explain the meaning and importance of labour-law compliance.
2. Describe the purpose of statutory returns and statutory registers.
3. Explain the main objectives of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.
4. Explain the scope and applicability of the simplified procedure under the 1988 Act.
5. Distinguish between a small establishment and a very small establishment.
6. Explain the purpose of Form I, Form II and Form III under the simplified procedure.
7. Describe the requirements relating to the maintenance and furnishing of returns and registers.



8. Explain why the simplified procedure does not remove the substantive obligations under applicable labour laws.
9. Describe the role of inspection and verification in ensuring labour-law compliance.
10. Explain the corrective actions that may be taken when deficiencies are identified during compliance verification.



Assignments

1. Explain the meaning, importance and major components of labour-law compliance in an establishment.
2. Discuss the objectives, scope and applicability of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.
3. Explain the simplified procedure for furnishing returns and maintaining registers, with reference to Form I, Form II and Form III.
4. Distinguish between the compliance requirements covered by the simplified procedure and the obligations that continue to apply separately.
5. A small establishment has incomplete employment records and discrepancies between its attendance, wage records and statutory return. Analyse the compliance issues involved and suggest appropriate corrective actions.



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Unit - 2

Industrial and Labour Laws Audit



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the meaning, purpose and scope of industrial and labour-law audit
- ◇ describe the process of conducting a labour-law compliance audit, including the examination of returns, registers and employment records
- ◇ identify industry-specific labour-law requirements and assess their relevance to compliance auditing
- ◇ analyse audit evidence, identify compliance deficiencies and suggest appropriate corrective actions
- ◇ apply labour-law audit principles to case studies and practical compliance situations



Prerequisite

Labour-law compliance does not end with maintaining records and furnishing returns. An establishment must also be able to verify whether the required records are complete, whether the information reported is accurate and whether the applicable legal requirements are being followed in practice. This makes systematic examination of labour-law compliance an important organisational activity.

What should be examined during such an audit? How can returns and registers be verified against actual employment records? What happens when discrepancies or compliance deficiencies are identified? This unit addresses these questions by examining the scope, process and practical aspects of industrial and labour-law audit.



Keywords

Industrial and labour-law audit, compliance audit, labour-law compliance, audit process, statutory returns, statutory registers, employment records, audit evidence, compliance verification, industry-specific compliance, audit findings, corrective action, case laws, case studies, audit checklist



Discussion

4.2.1 Introduction to Industrial and Labour Laws Audit

Industrial and labour laws regulate various aspects of employment, including wages, working conditions, social security, safety, welfare and industrial relations. An organisation is required to comply with the legal requirements applicable to its establishment, workforce and nature of activities.

An Industrial and Labour Laws Audit is a systematic examination of an organisation's compliance with the applicable labour laws and related requirements. It involves reviewing relevant records, returns, registers, employment practices and other documents to determine whether the required legal provisions are being followed.

The scope of an audit depends on the nature of the establishment and the laws applicable to it. An establishment may therefore be subject to different compliance requirements depending on factors such as its industry, number of employees, employment arrangements and the nature of its activities.

4.2.1.1 Purpose of Labour-Law Audit

The main purpose of a labour-law audit is to identify whether an organisation is complying with the legal requirements applicable to it. The audit may help to:

- ◇ identify the labour laws and requirements applicable to the establishment;
- ◇ verify the accuracy and completeness of statutory records;
- ◇ examine whether required returns and other filings have been made;
- ◇ identify instances of non-compliance or areas requiring attention;
- ◇ document compliance gaps; and
- ◇ facilitate appropriate corrective action.

A labour-law audit therefore provides a systematic means of reviewing the organisation's existing compliance practices.



Now let's discuss about the term

Compliance

Compliance refers to fulfilling the requirements imposed by applicable law.

For example, maintaining a prescribed register is a compliance requirement. Examining whether the register has been properly maintained, whether its entries are accurate and whether they agree with supporting records forms part of the audit process.

Compliance and audit are therefore closely connected. The records and practices maintained for compliance provide the basis for verification, while audit findings can identify areas where corrective action is required.

4.2.1.2 Need for a Systematic Audit

1. A systematic audit helps to identify incomplete or inconsistent records, missed filings, deficiencies in employment practices and other compliance gaps.
2. It involves examining whether the information is accurate, complete, consistent and supported by relevant records.
3. Audits provide the required documentation and proof of due diligence.
4. Audit helps in protection of employee welfare by ensuring a safe, fairwork environment, reducing grievances and boosting overall workforce morale.

4.2.2 Areas of Labour-Law Audit

The scope of an Industrial and Labour Laws Audit depends on the laws applicable to the establishment. The nature of the business, number and category of employees, employment arrangements, working conditions and industry-specific activities may determine which legal requirements have to be examined.

A labour-law audit may therefore cover different areas of employment and industrial relations. The audit should begin by identifying the requirements that actually apply to the establishment.

4.2.2.1 Welfare and Working Conditions

The audit may examine compliance relating to working conditions, health, safety, welfare facilities, working hours, leave and other conditions of employment.

The specific requirements depend on the nature of the establishment and the applicable legislation. The audit may include verification of required facilities, records, notices, licences and other statutory requirements.

4.2.2.2 Wages and Employment-Related Payments

Wage-related compliance is an important area of labour-law audit. The examination may include:

- ◇ payment of wages within the prescribed requirements;
- ◇ minimum wage requirements, where applicable;
- ◇ overtime payments;
- ◇ deductions from wages;
- ◇ bonus and other statutory payments; and
- ◇ wage records and supporting documents.

The auditor may compare statutory records with payroll and payment records to identify discrepancies.

4.2.2.3 Social Security and Employee Benefits

The audit may cover statutory social-security contributions and benefits applicable to the establishment and its employees.

Depending on the applicable law, this may include matters relating to provident fund, employee insurance, gratuity, maternity benefits, compensation and other statutory benefits.

Verification may include employee eligibility, registration, contributions, payments, records and required returns.

4.2.2.4 Industrial Relations and Employment Practices

Labour-law audit may also examine requirements relating to industrial relations and employment practices. These may include matters concerning employment conditions, standing orders, disciplinary procedures, termination, retrenchment, lay-off, trade unions and other industrial-relations requirements where applicable.

The audit should focus on whether the organisation has followed the procedures and requirements prescribed by the applicable law.

4.2.2.5 Returns, Registers and Employment Records

Returns, registers and employment records provide important evidence for verifying labour-law compliance.

The audit may examine:

- ◇ prescribed registers and records;
- ◇ statutory returns and filings;

- ◇ attendance and wage records;
- ◇ employee particulars;
- ◇ records relating to leave and working hours;
- ◇ statutory contribution records; and
- ◇ consistency between different records.

The requirements relating to the simplified maintenance of returns and registers under the 1988 Act, discussed in Unit 1, form part of this area. For qualifying establishments, the Act provides specific alternative requirements while retaining provisions relating to inspection and production of records.

4.2.2.6 Industry-Specific Requirements

Certain labour-law requirements arise because of the nature of the industry or activity carried on by an establishment. An audit should therefore identify any industry-specific legislation, rules, licences or compliance requirements applicable to the organisation.

For example, establishments engaged in manufacturing, construction, plantations, mining, transport or other regulated activities may have additional requirements relating to working conditions, safety, welfare or employment arrangements.

The audit should not assume that the requirements applicable to one industry apply in the same manner to another. Industry-specific applicability must be determined before preparing the audit scope.

4.2.3 Labour-Law Compliance Audit Process

A labour-law compliance audit follows a systematic process to determine whether an establishment is fulfilling the legal requirements applicable to it. The exact procedure may vary according to the size, nature and activities of the establishment, but the main stages remain broadly similar.

4.2.3.1 Preliminary Review

The audit begins with a basic understanding of the establishment. Relevant information may include:

- ◇ nature of business and activities;
- ◇ location and number of establishments or units;
- ◇ number and categories of employees;
- ◇ employment arrangements, including contract or other forms of employment;
- ◇ working conditions and shifts; and
- ◇ existing registrations, licences and statutory records.

This preliminary review helps determine the areas of law that require examination.

4.2.3.2 Identification of Applicable Laws

The next step is to identify the labour laws and related requirements applicable to the establishment. This involves considering factors such as the nature of the industry, number of employees, employment arrangements, location and specific activities of the establishment. The applicable central and State requirements, rules, notifications and industry-specific provisions should also be considered where relevant.

The audit should therefore be based on an applicability assessment rather than on a standard list of laws applied to every establishment.

4.2.3.3 Collection of Records and Documents

The records and documents necessary for verification are then collected. Depending on the scope of the audit, these may include:

- ◇ employee records;
- ◇ attendance and working-hour records;
- ◇ wage and payroll records;
- ◇ statutory registers;
- ◇ returns and filing records;
- ◇ records of statutory contributions and payments;
- ◇ licences, registrations and notices; and
- ◇ records relating to safety, welfare and other statutory requirements.

The records may be maintained in physical or electronic form, subject to the requirements applicable to the establishment.

4.2.3.4 Verification of Compliance

The collected information is examined against the requirements of the applicable laws.

Verification may include checking whether:

- ◇ required registrations and licences are valid;
- ◇ statutory records are properly maintained;
- ◇ returns have been furnished within the prescribed period;
- ◇ wages and other statutory payments have been correctly calculated and paid;
- ◇ required contributions have been made;



- ◇ prescribed working conditions and welfare requirements have been followed; and
- ◇ records maintained by different departments are consistent with one another.

Where necessary, records may be compared with supporting documents such as payroll data, bank or payment records and employee information.

4.2.3.5 Identification of Compliance Gaps

Any deviation from an applicable legal requirement should be recorded as a compliance gap or audit observation.

A compliance gap may arise from:

- ◇ failure to comply with a statutory requirement;
- ◇ incomplete or inaccurate records;
- ◇ delayed filing or payment;
- ◇ incorrect information in statutory records;
- ◇ failure to follow a prescribed procedure; or
- ◇ absence of required documentation.

The nature and significance of each finding should be considered before determining the appropriate corrective action.

4.2.3.6 Audit Findings and Reporting

The audit findings should be documented clearly. A compliance report may indicate:

- ◇ the legal requirement examined;
- ◇ the records or evidence reviewed;
- ◇ the compliance position;
- ◇ the deficiency identified, if any;
- ◇ the possible consequence of the deficiency; and
- ◇ the corrective action required.

The report should distinguish between matters that are compliant, matters requiring correction and matters requiring further verification.

4.2.3.7 Corrective Action and Follow-Up

Identifying a deficiency is not the final stage of the audit. The organisation should take appropriate corrective action to address the identified gap.

Corrective measures may include updating records, making delayed statutory payments or filings, correcting inaccurate information, obtaining required registrations or improving internal compliance procedures.

Follow-up verification may then be carried out to determine whether the identified deficiencies have been properly addressed and whether measures have been taken to prevent their recurrence.

4.2.4 Industry-Specific Labour-Law Compliance

Labour-law requirements are not identical for all establishments. In addition to general employment requirements, an establishment may be subject to additional provisions because of the nature of its business or the activities carried on at the workplace.

Industry-specific labour-law compliance refers to compliance with legal requirements that apply to an establishment because of its particular industry, activity or working conditions. During an audit, these requirements must be identified before determining the areas to be examined.

4.2.4.1 Factors Determining Industry-Specific Applicability

The applicability of industry-specific requirements may depend on factors such as:

- ◇ nature of the business or industrial activity;
- ◇ type of workplace and working conditions;
- ◇ number and category of workers;
- ◇ use of machinery, equipment or hazardous substances;
- ◇ engagement of contract or other categories of workers;
- ◇ location and nature of the establishment; and
- ◇ specific activities carried out by the establishment.

An establishment may therefore be subject to additional requirements that would not apply to an organisation engaged in a different activity.

4.2.4.2 Manufacturing and Factory Establishments

Manufacturing establishments may have specific requirements relating to occupational safety, health, welfare, working hours and workplace conditions.

An audit may examine matters such as statutory registration or licensing, safety arrangements, working conditions, welfare facilities, working hours, health and safety records, and other requirements applicable to the establishment.

The exact requirements depend on the applicable statutory framework and the characteristics of the establishment.

4.2.4.3 Construction Establishments

Construction activities may involve particular risks and therefore require specific compliance measures relating to the safety, health and welfare of workers.

An audit may include verification of applicable registration, safety arrangements, welfare measures, employment records and other statutory requirements relevant to construction work.

4.2.4.4 Mines and Other High-Risk Activities

Mining and other activities involving significant occupational hazards may be subject to additional requirements concerning worker safety, health, supervision and working conditions.

An audit in such establishments should therefore give appropriate attention to risk-related statutory requirements, safety records, responsible personnel and compliance with prescribed procedures.

4.2.4.5 Contract Labour and Other Employment Arrangements

An establishment may engage workers through contractors or other employment arrangements. In such cases, the audit should consider the legal responsibilities of the establishment and the relevant contractor, wherever the applicable law imposes such responsibilities.

The audit may examine contractor records, worker particulars, wage payments, statutory contributions, licences or registrations, and other prescribed requirements.

4.2.4.6 Industry-Specific Audit Approach

An industry-specific audit should not rely solely on a general labour-law checklist. The auditor should first determine the activities and characteristics of the establishment and then identify the additional requirements applicable to those activities.

For example, a manufacturing establishment may require greater attention to workplace safety and working conditions, while a construction establishment may require examination of construction-site safety and worker welfare requirements.

The purpose is not to apply every industry-specific requirement to every establishment, but to ensure that requirements relevant to the particular activity are not overlooked.

Current Statutory Framework

The implementation of the four Labour Codes has changed the structure of India's central labour-law framework. The Occupational Safety, Health and Working Conditions Code, 2020, for example, brings together provisions relating to several areas of occupational safety, health and working conditions and contains requirements relevant to establishments such as factories, mines, construction work and plantations.

Accordingly, when an actual audit is conducted, the current law, applicable rules, notifications and State-level requirements should be verified rather than relying only on the names or provisions of earlier legislation.

Industry-specific compliance is therefore an important part of labour-law auditing because the legal requirements applicable to an establishment depend not only on its employees but also on what the establishment does and the conditions under which the work is performed.

4.2.5 Audit Evidence, Findings and Corrective Action

An Industrial and Labour Laws Audit should be supported by sufficient and reliable evidence. Audit evidence provides the basis for determining whether an establishment has complied with the applicable legal requirements.

4.2.5.1 Audit Evidence

Audit evidence refers to the information and documents examined to support an audit conclusion. In a labour-law audit, evidence may include:

- ◇ statutory registers and returns;
- ◇ employee and employment records;
- ◇ attendance and working-hour records;
- ◇ payroll and wage records;
- ◇ records of statutory payments and contributions;
- ◇ licences, registrations and notices;
- ◇ inspection reports and correspondence with authorities; and
- ◇ relevant electronic records and documents.

The evidence should be relevant to the requirement being examined and sufficiently reliable to support the audit finding.

4.2.5.2 Verification of Evidence

Evidence should be verified rather than accepted solely on the basis of the existence of a document.



For example, wage records may be compared with attendance records and payment information. Statutory returns may be compared with the registers and records from which they were prepared. Employee information may also be cross-checked across different records.

Such verification helps identify errors, omissions and inconsistencies.

4.2.5.3 Audit Findings

An audit finding is the result of comparing the actual compliance position with the applicable legal requirement.

A finding may indicate:

- ◇ compliance with the requirement;
- ◇ partial compliance;
- ◇ non-compliance; or
- ◇ a matter requiring further verification.

A finding should clearly identify the requirement examined, the evidence considered and the actual position found during the audit.

4.2.5.4 Recording Compliance Deficiencies

Where a deficiency is identified, it should be documented clearly. The record should, where relevant, indicate:

- ◇ the applicable legal requirement;
- ◇ the nature of the deficiency;
- ◇ the records or evidence supporting the finding;
- ◇ the period or employees affected;
- ◇ the possible legal or administrative consequence; and
- ◇ the action required to address the deficiency.

Clear documentation helps the organisation understand the issue and facilitates subsequent verification.

4.2.5.5 Corrective Action

Corrective action refers to measures taken to address an identified compliance deficiency.

Depending on the nature of the deficiency, corrective action may include:

- ◇ correcting incomplete or inaccurate records;
- ◇ making delayed statutory payments or contributions;

- ◇ furnishing pending returns;
- ◇ obtaining or renewing required registrations or licences;
- ◇ correcting employment practices; and
- ◇ revising internal procedures to prevent similar deficiencies.

The action required should correspond to the nature and seriousness of the deficiency.

4.2.5.6 Follow-Up

Corrective action should be followed by appropriate verification to determine whether the deficiency has actually been addressed.

Follow-up may involve examining corrected records, payment or filing evidence, revised procedures or other supporting documents. Where a deficiency remains unresolved, it should continue to be recorded until appropriate action is taken.

Follow-up is particularly important where the deficiency involves continuing non-compliance or a recurring procedural problem.

4.2.5.7 Preventive Measures

An audit may also reveal weaknesses in internal compliance procedures that could lead to future violations. The organisation may therefore introduce preventive measures such as:

- ◇ assigning responsibility for specific compliance requirements;
- ◇ maintaining a compliance calendar;
- ◇ periodically reviewing statutory records;
- ◇ reconciling employment and payroll information; and
- ◇ updating procedures when applicable legal requirements change.

These measures can help reduce the recurrence of compliance deficiencies.

4.2.5.8 Audit Reporting

The final audit report should present the significant findings in a clear and organised manner. It should distinguish between requirements that have been complied with and areas requiring corrective action.

A useful audit report should enable the organisation to understand what requirement was examined, what evidence was found, what deficiency exists, if any, and what action is required.

Audit evidence, findings and corrective action are therefore connected parts of the compliance process. Reliable evidence supports the finding, the finding identifies the compliance position, and corrective action addresses deficiencies that require attention.



4.2.6 Case Laws and Case Studies

Case laws help illustrate how courts have viewed the responsibility of employers to maintain employment records and produce relevant documents when required. The following cases and case studies demonstrate the practical importance of accurate and reliable labour records.

4.2.6.1 Employer's Responsibility to Maintain Wage Records

In a case concerning a claim under the Employees' Compensation Act, 1923, the court considered the employer's responsibility to maintain records relating to the wages of the deceased employee. The employer had failed to maintain proper wage records. The court held that the claimants could not be disadvantaged merely because the employer had failed to discharge its record-keeping responsibility.

Compliance significance:

The case demonstrates that statutory record-keeping is an important employer responsibility. Proper wage records can provide essential evidence when employment-related claims are examined.

4.2.6.2 Employer as Custodian of Employment Records

In *Shankar Lal v. Hindustan Copper Ltd. & Others* (2022), the Supreme Court considered discrepancies in an employee's date of birth recorded in different employment documents. The Court observed that the employer was the custodian of the service records and was expected to maintain them responsibly and ensure consistency in the particulars relating to an employee.

Compliance significance:

The case highlights the importance of maintaining reliable employment records and ensuring consistency in employee particulars.

4.2.6.3 Consistency in Employment Records

Employment records may be relied upon in disputes concerning service conditions, wages, tenure and other employment-related matters. Courts have emphasised that records maintained by an employer should be reliable and internally consistent. In *Shankar Lal v. Hindustan Copper Ltd.*, the Supreme Court considered the significance of inconsistent entries relating to an employee's date of birth and the employer's responsibility for maintaining service records.

Compliance significance:

Employment records should not merely exist; their entries should be accurate and consistent across related documents. An unexplained discrepancy may affect the reliability of the records.

4.2.6.4 Case Study: Difference Between Payroll and Employee Records

Situation:

A manufacturing establishment maintains an employee register showing 48 employees. Its payroll records, however, show payments relating to 55 employees. The statutory return also contains figures that do not agree with either record.

Audit approach:

The auditor should:

5. compare the employee register with attendance and payroll records;
6. identify the reason for the difference in employee numbers;
7. verify whether contract workers or other categories of workers have been included correctly;
8. examine the records used to prepare the statutory return; and
9. document the discrepancy and obtain appropriate clarification.

Practical point:

A difference between records does not automatically establish a legal violation. The reason for the difference should first be established and the facts should then be compared with the applicable legal requirements.

4.2.6.5 Case Study: Failure to Produce Electronic Records

Situation:

During a labour-law audit, an establishment is unable to immediately produce its attendance and wage records. Management states that the records are maintained electronically but cannot retrieve them at the time of verification.

Audit approach:

The auditor should determine:

- ◇ whether the records are required to be maintained;
- ◇ whether the records actually exist;
- ◇ whether they can be retrieved and produced;
- ◇ whether the information is complete and reliable; and
- ◇ whether the prescribed period and manner of preservation have been followed.

The 1988 Act permits the prescribed annual return, registers, wage slips, wage books and other records to be maintained electronically. Where electronic records are used, the prescribed printout should be available for inspection in accordance with the applicable requirements.



Practical point:

Electronic storage does not remove the responsibility to preserve and produce records when required.

4.2.6.6 Case Study: Simplified Procedure and Continuing Obligations

Situation:

A qualifying small establishment follows the simplified procedure under the 1988 Act and maintains the prescribed consolidated registers. During an audit, it is found that the establishment has not complied with a requirement that continues separately under Section 4.

Audit approach:

The auditor should determine whether the particular requirement has been replaced by the simplified procedure or continues to apply separately.

Under Section 4, the simplified procedure does not remove certain continuing requirements. These include specified wage slips and accident-related returns in the circumstances stated in the Act.

Practical point:

The simplified procedure should not be treated as a general exemption from labour-law compliance. The requirements replaced by the simplified procedure must be distinguished from those that continue to apply.

4.2.6.7 Practical Lessons from the Cases

The cases and case studies demonstrate that:

- ◇ employers have responsibility for maintaining prescribed employment records;
- ◇ statutory records may become important evidence in labour disputes;
- ◇ records should be accurate, complete and internally consistent;
- ◇ records required by law should be capable of being produced when required; and
- ◇ simplified record-keeping procedures do not remove continuing statutory obligations.

Case laws and case studies therefore show how labour-law compliance requirements operate in actual employment and audit situations.

4.2.7 Practical Labour-Law Audit

A practical labour-law audit applies the applicable legal requirements to the actual records and practices of an establishment. It involves identifying the requirements

relevant to the establishment, examining supporting records, verifying compliance and recording matters that require corrective action.

4.2.7.1 Preparing an Audit Checklist

An audit checklist provides a structured basis for examining compliance. It should be prepared after identifying the laws and requirements applicable to the establishment.

The checklist may cover:

- ◇ registrations and licences;
- ◇ employee and employment records;
- ◇ wages and statutory payments;
- ◇ attendance, working hours and leave;
- ◇ social-security contributions and benefits;
- ◇ safety and welfare requirements;
- ◇ statutory registers and returns;
- ◇ industry-specific requirements; and
- ◇ pending corrective actions from previous audits.

The checklist should be adapted to the nature, size and activities of the establishment.

4.2.7.2 Conducting the Audit

The auditor examines the areas identified in the checklist with reference to the applicable legal requirements. Relevant documents and records are reviewed and information from different sources is compared where necessary.

For example, employee particulars may be compared with attendance and payroll records, while statutory returns may be checked against the records used to prepare them.

The evidence examined and any significant discrepancy or compliance gap should be recorded.

4.2.7.3 Sample Labour-Law Audit Checklist

Table 4.2.1 Sample Labour - Law Audit Checklist

Area of verification	Points to be examined
Registration and licences	Whether required registrations and licences are available and valid
Employee records	Whether employee particulars and employment records are properly maintained
Wages	Whether wages and applicable statutory payments are correctly calculated and paid
Attendance and working hours	Whether attendance, working hours and overtime records are properly maintained
Social security	Whether applicable contributions and benefits are properly administered
Safety and welfare	Whether applicable safety, health and welfare requirements are followed
Returns	Whether required returns have been furnished within the prescribed time
Registers	Whether prescribed registers are complete, accurate and up to date
Industry-specific requirements	Whether additional requirements applicable to the establishment are complied with
Previous findings	Whether earlier audit deficiencies have been addressed

4.2.7.4 Illustrative Audit Exercise

Situation:

A manufacturing establishment employs 75 persons. During an audit, the following observations are made:

1. attendance records are maintained electronically;
2. payroll records show a different number of employees from the employee register;
3. one statutory return was furnished after the prescribed date;
4. records relating to overtime payments are incomplete; and
5. corrective action relating to a previous audit finding has not been documented.

Audit approach:

The auditor should first identify the legal requirements applicable to the establishment and then examine each observation against the relevant records and requirements.

The difference in employee numbers should be reconciled with the employee and payroll records. The delayed return should be checked against the applicable filing requirement. Overtime records should be compared with attendance and wage records. The previous audit finding should be reviewed to determine whether the required corrective action was completed.

The identified matters should be recorded with the relevant evidence and appropriate corrective action should be recommended.

Practical conclusion:

The existence of records alone does not establish compliance. Records should be accurate, complete, consistent and capable of supporting the establishment's compliance position.

4.2.7.5 Maintaining a Compliance System

A labour-law audit is more effective when supported by a continuing compliance system. An establishment should maintain a record of:

- ◇ applicable legal requirements;
- ◇ persons responsible for compliance;
- ◇ statutory due dates;
- ◇ evidence of compliance; and
- ◇ pending corrective actions.

A compliance calendar can be used to track recurring returns, payments, renewals and other time-bound requirements. Records of completed actions should also be retained for subsequent verification.

The compliance system should be reviewed when there are changes in the applicable law, workforce, business activities or other circumstances affecting compliance.

4.2.7.6 Practical Significance of Labour-Law Audit

A labour-law audit provides a systematic means of examining whether an establishment is meeting its applicable legal requirements. It helps identify gaps in records, procedures and employment practices and provides a basis for corrective action.

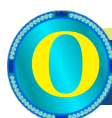
The effectiveness of an audit depends on the proper identification of applicable requirements, reliable evidence, accurate records and timely follow-up. It should therefore form part of an establishment's continuing compliance practices rather than be treated only as a response to an inspection or dispute.





Recap

- ◇ Industrial and labour-law audit involves the systematic examination of an establishment's compliance with applicable labour laws and related requirements.
- ◇ The scope of an audit may include working conditions, wages, social security, employment practices, statutory returns, registers and employment records.
- ◇ Industry-specific requirements should be considered because the labour-law obligations applicable to an establishment may vary according to its nature of business, workforce and working conditions.
- ◇ The audit process generally involves preliminary review, identification of applicable laws, collection of records, verification, identification of gaps, reporting and corrective action.
- ◇ Audit evidence provides a basis for determining whether the applicable compliance requirements have been fulfilled.
- ◇ Audit findings should clearly identify the requirement examined, evidence considered and any deficiency requiring corrective action.
- ◇ Corrective action should address identified deficiencies and, where appropriate, their underlying causes to reduce the possibility of recurrence.
- ◇ Case laws, case studies and practical audit exercises help illustrate the application of labour-law compliance and audit principles in actual organisational situations.



Objective Questions

1. What is the systematic examination of compliance with labour laws called?
2. What is the first major step in a labour-law compliance audit?
3. What provides the basis for supporting an audit finding?
4. What is an identified failure to meet a legal requirement called?
5. What action is taken to address an identified compliance deficiency?
6. What type of compliance requirements are specific to particular industries?

7. What practical tools can be used to ensure systematic coverage during an audit?
8. What judicial decisions are examined to understand the application of labour-law requirements?



Answers

1. Labour-law audit
2. Preliminary review
3. Audit evidence
4. Non-compliance
5. Corrective action
6. Industry-specific requirements
7. Audit checklist
8. Case laws



Self - Assessment Questions

1. Explain the meaning and purpose of an industrial and labour-law audit.
2. Describe the major areas covered by a labour-law compliance audit.
3. Explain the main steps involved in conducting a labour-law compliance audit.
4. Explain the importance of industry-specific labour-law requirements in compliance auditing.
5. What types of evidence may be examined during a labour-law audit? Explain their importance.
6. Explain how audit findings and compliance deficiencies should be recorded and addressed.
7. Discuss the role of case laws and case studies in understanding labour-law compliance and audit.
8. Explain the practical steps involved in conducting a labour-law audit using an audit checklist.





Assignments

1. Explain the meaning, purpose and scope of an industrial and labour-law audit.
2. Describe the process of conducting a labour-law compliance audit, from preliminary review to corrective action.
3. Explain the significance of industry-specific labour-law requirements in conducting a compliance audit.
4. A labour-law audit identifies discrepancies between payroll records, attendance records and statutory returns. Analyse the possible compliance issues and explain the appropriate audit and corrective actions.



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BLOCK - 05

Labour Codes (Recent Developments)



Unit - 1

Code on Wages and Code on Industrial Relations



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the key provisions and objectives of the Code on Wages, 2019, including minimum wages, payment of wages, bonus and equal remuneration
- ◇ describe the major provisions of the Industrial Relations Code, 2020, including trade-union recognition, standing orders, fixed-term employment and industrial dispute resolution
- ◇ analyse the provisions relating to trade unions, collective bargaining, strikes, lockouts, retrenchment and reskilling under the Industrial Relations Code, 2020
- ◇ discuss the significance of the Labour Codes in simplifying labour-law compliance while balancing the interests of employers and workers



Prerequisite

Imagine a manufacturing company where employees receive wages every month and work under different shifts and conditions. Some employees begin to question whether they are receiving the legally prescribed minimum wage, whether their wages are being paid on time and whether men and women performing similar work are being paid equally. At the same time, workers in the organisation begin discussing the formation of a trade union to collectively raise their concerns with management. Differences then arise between the workers and management regarding working conditions, termination of employment and proposed changes in work practices. The situation shows that employment involves much more than simply hiring workers and paying them a salary. There must be clear legal rules governing wages, trade unions, collective bargaining, workplace disputes and the rights and responsibilities of both employers and workers. This unit introduces the Code on Wages, 2019 and the Industrial Relations Code, 2020, and helps learners understand how these Codes regulate wages and industrial relations within the modern workplace.





Keywords

Code on Wages, Minimum Wages, Floor Wage, Wages, Equal Remuneration, Payment of Wages, Bonus, Industrial Relations Code, Trade Unions, Collective Bargaining, Standing Orders, Fixed-Term Employment, Industrial Disputes, Strikes, Lockouts, Retrenchment, Reskilling Fund, Conciliation, Industrial Tribunal, National Industrial Tribunal



Discussion

5.1.1 Introduction

Labour laws form an important part of the legal environment of business. They regulate various aspects of the relationship between employers and workers and provide a framework for matters such as wages, employment conditions, social security, workplace safety and industrial relations. For an organisation, compliance with labour laws is therefore an important part of human resource and general management.

In India, labour legislation has developed over a long period. Different laws were enacted at different times to deal with specific aspects of employment. For example, separate laws were introduced to regulate minimum wages, payment of wages, bonus, trade unions, industrial disputes and working conditions. While these laws provided important legal protection, the existence of numerous separate enactments also resulted in a complex regulatory structure.

To consolidate and rationalise the Central labour-law framework, four Labour Codes were enacted:

1. Code on Wages, 2019
2. Industrial Relations Code, 2020
3. Code on Social Security, 2020
4. Occupational Safety, Health and Working Conditions Code, 2020

The four Codes consolidate provisions contained in 29 Central labour laws. They bring together legislation relating to wages, industrial relations, social security, and occupational safety and working conditions. The Government brought the four Codes into force from 21 November 2025.

The Labour Codes are an important development in Indian labour legislation because they attempt to create a more integrated legal framework for the contemporary world of work. They also seek to simplify compliance procedures and address changes in employment relationships.

The Labour Codes have also been the subject of sustained opposition and protest by trade unions and workers' organisations. Trade unions have argued that the reforms, while presented as measures to simplify labour legislation and promote ease of doing business, could weaken certain existing protections relating to job security, retrenchment, collective bargaining, trade-union activities and industrial action. These concerns have resulted in repeated nationwide protests and strikes.

The continuing protests demonstrate that labour-law reform remains a contested issue, involving a fundamental debate between the objectives of economic flexibility and ease of doing business on the one hand, and workers' demands for employment security, collective bargaining rights, social protection and decent working conditions on the other.

5.1.2 Code on Wages, 2019 (Code 1)

The Code on Wages, 2019 is one of the four major labour codes introduced by the Government of India to simplify and modernise the country's labour regulations. Before the introduction of the Labour Codes, different aspects of employment were governed by a large number of Central laws. These laws were enacted at different times and for different purposes. Consequently, they sometimes contained different definitions, procedures and administrative requirements.

For instance, four separate Central laws dealt with different aspects of wages: the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976. Similarly, industrial relations were dealt with separately through the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and the Industrial Disputes Act, 1947.

These laws often created confusion because they used different definitions for terms such as wages, employees and establishments. Compliance was especially difficult businesses that did not have full-time administrative staff. The Code on Wages introduces a uniform definition of wages and a consolidated framework applicable to most employees across sectors, subject to notified conditions and exclusions. These units often face challenges. The Code on Wages aims to remove difficulties in maintaining registers, filing multiple returns and understanding overlapping legal provisions by creating a simple and common framework applicable throughout India. To address fragmentation and administrative overlap, the Code consolidates four major central wage-related legislations. Each of these earlier laws played a key role in protecting workers, but having them separately led to administrative complexity. The Code brings them under a single umbrella.

5.1.2.1 Integration of Existing Labour Laws under the Code

The Code consolidates four central laws:

1. **Minimum Wages Act of 1948:** The Minimum Wages Act, 1948 provided statutory wage protection to workers in scheduled employments, which has now been expanded universally under the Code. It empowered the central and state



governments to fix minimum wage rates for different occupations. Although it provided protection, the Act applied only to specific scheduled industries. The Code expands this protection by applying the concept of minimum wages to all types of employees. This ensures a wider and more inclusive wage security system.

2. **Payment of Wages Act of 1936:** The Payment of Wages Act 1936 dealt with the timely payment of wages and limited the types of deductions that employers could make. Earlier, this Act applied only to workers earning below a notified wage ceiling. Under the Code on Wages, this restriction is removed. All employees, irrespective of their salary bracket, are now entitled to timely wage payment and transparency in deductions.
3. **Payment of Bonus Act of 1965:** This Act focused on providing annual bonuses to employees based on profit sharing or productivity. The bonus system continues under the Code, but the procedural requirements are simplified. The Code aims to make bonus payments more transparent and easier for both employers and employees to understand. It also ensures the continuation of statutory bonus rights for eligible workers.
4. **Equal Remuneration Act of 1976:** The Equal Remuneration Act 1976 prohibited discrimination in wage payment between men and women who perform similar work. Under the Code, this principle is retained and strengthened. The Code places a clear statutory responsibility on employers to ensure that male and female employees receive equal wages for the same or similar work. This protection becomes more comprehensive as it is now part of a centralised wage framework applicable to all establishments.

5.1.2.2 Applicability of the Code on Wages, 2019 (Code 1)

The Code on Wages, 2019 provides a common legal framework relating to wages, minimum wages, payment of wages and equal remuneration. It is intended to apply broadly to employees across different sectors and categories of establishments, thereby replacing and consolidating provisions contained in several earlier wage-related laws. The Code seeks to establish uniform principles relating to wages and reduce the complexity arising from multiple legislations.

The applicability of the Code is significant for both employers and employees. Employers are required to comply with provisions relating to minimum wages, payment of wages within the prescribed time, permissible deductions and other wage-related requirements. Employees, irrespective of the nature of their employment, are provided statutory protection in respect of their wages, subject to the specific provisions and coverage prescribed under the Code and the rules made under it.

For example, consider a manufacturing establishment employing workers in different categories. Under the earlier framework, the employer had to deal with different wage-related Acts and their respective requirements. The Code on Wages seeks to bring these provisions within a single legislative framework, thereby making wage-related compliance more systematic and reducing overlapping legal requirements.

The Code is therefore important from the perspective of industrial and labour relations. By providing a unified framework for wage regulation, it seeks to promote greater consistency in wage administration while placing corresponding legal responsibilities on employers.

5.1.2.3 Objectives of the Code on Wages, 2019

- 1. Provide a uniform wage system across India:** The primary objective of the Code on Wages is to establish uniformity in wage regulation across states and industries. In the past, employers had to comply with several different wage related laws such as the Minimum Wages Act of 1948, the Payment of Wages Act of 1936, the Payment of Bonus Act of 1965 and the Equal Remuneration Act of 1976. These laws often had overlapping provisions and different definitions for concepts like wages, employee and employer. This made compliance difficult, especially for small units that lacked legal expertise. By introducing a single definition of wages and a consistent framework for salary components, the Code creates uniformity. This allows both public and private sector organisations to follow the same method of calculating wages. For instance, the Ministry of Labour and Employment noted that earlier different states had varying rules on wage periods and deductions. A unified wage system reduces confusion and helps create a transparent labour market.
- 2. Ensure timely payment of wages to all workers:** The Code seeks to end delays in salary payments, which have been a persistent issue, particularly in informal and unorganised sectors. The earlier Payment of Wages Act applied only to workers earning below a certain threshold. Under the Code, every employee regardless of wage level is entitled to timely payment. Employers must pay wages within a fixed time period which is generally before the seventh day of the subsequent month for monthly rated workers. This provision ensures that employees can plan expenses, repay loans on time and maintain financial stability. Delayed wage payments are widely recognised as a contributor to household financial stress, particularly among low-income workers. The Code attempts to reduce such distress by creating strict timelines and legal consequences for non-compliance.
- 3. Guarantee a minimum wage floor nationally:** Another key objective is the establishment of a national minimum wage floor. Earlier the minimum wage varied widely from state to state. A study by the International Labour Organisation found that there were more than one thousand five hundred different minimum wage rates in India across occupations and geographical zones. This caused inequality and confusion for businesses operating in multiple states. Under the Code, the central government can fix a national wage floor below which no state can set its minimum wage. States retain the freedom to set wages above this floor, depending on cost of living and local conditions. The national wage floor aims to protect workers from exploitation and ensure a basic standard of living. It also allows migrant workers to have more predictable earnings when moving between states.

4. **Promote gender equality in wages:** The Code reinforces the principle of equal pay for equal work by clearly prohibiting any discrimination in wages based on gender. Earlier, the Equal Remuneration Act of 1976 addressed this issue but enforcement was inconsistent. The Code strengthens this protection by placing both men and women under the same wage entitlement system. It also prevents discrimination during recruitment for similar jobs. According to the Global Gender Gap Report of 2023, India continues to have a significant wage gap between men and women in several sectors. The Code seeks to address gender wage disparities by reinforcing equal remuneration as a statutory obligation. Large companies such as Tata Consultancy Services and Infosys have also publicly committed to internal gender parity policies which align with the principles of the Code.
5. **Simplify Labour Law Compliance for Small Establishments :** The Code on Wages, 2019 seeks to simplify wage-related compliance by consolidating provisions contained in four earlier labour laws into a single legislative framework. This reduces the need for employers to refer to multiple statutes dealing with minimum wages, payment of wages, bonus and equal remuneration. The common framework is intended to make compliance easier to understand and administer.

Small establishments may particularly benefit from such simplification because they may not have dedicated human resource or legal departments to manage labour-law requirements. The Code provides a more integrated approach to matters such as minimum wages, payment of wages, permissible deductions and wage-related records. The use of common procedures and digital systems for labour-law compliance can further reduce administrative work.

5.1.2.4 Key Concepts

Key Concepts under the Code on Wages, 2019

1. Meaning of Wages

The Code on Wages introduces a standard and uniform definition of wages for all establishments across India. This is important because earlier labour laws used different definitions, which led to confusion for employers and employees.

Wages include three main components: basic pay, dearness allowance and retaining allowance. These are considered the core earnings of a worker for performing regular duties.

The Code also clearly lists payments that are not part of wages. These include bonus, house rent allowance, overtime allowance, provident fund contributions and conveyance or travel allowances. The purpose of this clear definition is to avoid manipulation in wage calculation and ensure transparency in payroll management.

A simple illustration can be seen in manufacturing units. If a worker receives a basic salary of 10,000 Rs, dearness allowance of 3000 Rs and a retaining allowance of 1000

Rs, then wages under the Code would be 14,000 Rs. Any additional allowances such as house rent or overtime are treated separately.

2. Floor Wage

The floor wage is a national level wage benchmark introduced to ensure that wages do not fall below a minimum level anywhere in India. It is fixed by the Central Government after consultation with state governments, keeping in mind the cost of living of different regions

No state government is allowed to fix its minimum wages lower than the floor wage. This provision is intended to reduce wage inequality between regions and protect workers in low paying areas from exploitation.

For example, if the Central Government sets a floor wage of three hundred rupees per day, every state must set its minimum wage at three hundred rupees or more. If a state earlier had a lower minimum wage, it is required to revise it upward.

3. Minimum Wages

The Code continues the established practice of determining minimum wages but introduces uniform criteria. Minimum wages are fixed by state governments based on two major factors. The first is the skill level of the worker. Skill categories include unskilled, semi-skilled, skilled and highly skilled workers. Each category receives different wage rates because of variations in training, responsibility and productivity.

The second factor is the geographical location of work. Wage rates in metro cities are generally higher due to increased living costs, while non-metro and rural areas have different rates.

For example, a skilled carpenter in Delhi receives a higher minimum wage compared to a carpenter in a small town in Bihar because of living cost differences.

4. Equal Remuneration

Equal remuneration means that male and female workers performing the same work or work of a similar nature must be paid the same wages. This principle was already part of the Equal Remuneration Act of 1976 and has now been included in the Code for universal application.

The intention is to eliminate gender based discrimination in wages and to promote fair treatment in the workplace. Employers are prohibited from reducing wages of any gender to achieve equality; instead, they must raise the wages of the lower paid group if inequality exists.

5. Timely Payment of Wages

The Code mandates that monthly wages must be paid within seven days of the end of the wage period. This rule ensures that workers receive their earnings without delays, which is important for daily living expenses. Earlier, different laws had different



timelines for wage payments, creating confusion. The Code brings a uniform schedule that applies to all establishments whether large or small.

For instance, if wages for January are due, the employer must pay them on or before the seventh of February. Delayed payment can attract penalties under the law.

6. Bonus

The Code preserves the earlier provisions on bonus but applies them more uniformly. Workers who earn monthly wages of twenty one thousand rupees or less are eligible to receive an annual bonus from their employer.

The minimum bonus payable is 8.33% of annual wages, and the maximum bonus can go up to 20%, depending on profits and productivity.

This provision is intended to reward workers for contributing to the success of the organisation and to support their financial well-being.

5.1.2.5 Penalties

The Code on Wages, 2019 prescribes penalties for violations of its provisions to ensure compliance with statutory wage requirements. These penalties are intended to discourage employers from violating workers' wage rights and to promote adherence to minimum wage and other wage-related provisions. The severity of the penalty may vary depending on the nature and repetition of the offence.

1. **Failure to pay the minimum wage:** The Code on Wages introduces a stricter penalty structure to ensure that every worker receives at least the statutory minimum wage. If an employer pays wages below the notified minimum wage, the Code prescribes monetary penalties, which may extend up to specified limits depending on the nature and frequency of the violation. This provision acts as a deterrent, especially for small units where informal practices are common. For example, in a small packing unit or a neighbourhood tailoring shop, owners may sometimes delay or reduce payments during lean seasons. Under the Code, such practices are unlawful and attract financial penalties.
2. **Repeated offence:** If an employer repeats the same violation, the consequences become more serious. In case of subsequent offences, the punishment may include imprisonment for a period that can extend up to three months. This escalation is intended to prevent habitual non-compliance. Authorities can take strict action against establishments that repeatedly refuse to follow wage laws. For instance, if a jewellery polishing workshop continues to pay below the minimum wage even after being penalised earlier, the owner may face both a fine and imprisonment.

These penalty provisions aim to protect vulnerable workers employed in nano enterprises by ensuring that employers treat wage compliance as a mandatory responsibility rather than an optional practice.

5.1.3 Code on Industrial Relations, 2020 (Code 2)

The Industrial Relations Code of 2020 is one of the four major Labour Codes introduced by the Government of India to simplify and modernise the labour law framework. India previously had several separate laws governing trade unions, employment conditions, dispute settlement, strikes, layoffs and retrenchment. Many of these laws were drafted during the colonial and early post-independence period, making them difficult to interpret and implement in today's workplace environment. To make the system easier for both employees and employers, the Government combined three major central laws into a single legal framework.

5.1.3.1 Laws Consolidated under the Industrial Relations Code, 2020

1. Trade Unions Act, 1926

This law dealt with how trade unions are formed, registered and recognised. It established the rights of workers to organise themselves for collective bargaining and for improving working conditions. The Industrial Relations Code updates these provisions to make union registration more transparent and to encourage responsible collective negotiations. It also introduces the concept of a negotiating union or negotiating council in an establishment, which reduces confusion when multiple unions exist.

2. Industrial Employment Standing Orders Act, 1946

Standing Orders are written rules that define conditions of employment, such as attendance, leave, shift timings, misconduct and disciplinary procedures. Earlier, only factories and larger industrial establishments had to prepare Standing Orders, and the process was lengthy. Under the new Code, the requirement is simplified and digitised. Standardised model Standing Orders are provided by the Government, which small and medium enterprises can adopt easily. This supports clarity for workers and reduces procedural burden for employers.

3. Industrial Disputes Act, 1947

This law historically governed disputes between employers and workers, including strikes, layoffs, retrenchment, closure of units and grievance settlement. Some provisions were considered lengthy, rigid and outdated, sometimes leading to delays in dispute resolution. The Industrial Relations Code streamlines the dispute settlement process by strengthening conciliation mechanisms, improving timelines and allowing voluntary arbitration. Certain establishments also get notified thresholds for layoffs and closures, balancing worker protection with business viability.

5.1.3.2 Objectives of the Industrial Relations Code, 2020

1. To reduce industrial disputes

One of the major aims of the Code is to minimise conflicts between workers and employers. Earlier laws had complex procedures that often delayed dialogue and created mistrust. The Code encourages early conciliation, mediation, and structured



negotiations so that issues can be resolved before they escalate into strikes or lockouts. By providing a clear mechanism for grievance redressal, the Code helps both sides settle disagreements faster. This is especially important in manufacturing sectors, where continuous production is essential for meeting deadlines and maintaining revenue.

2. To make hiring and termination clearer

The Code provides a transparent framework for hiring workers and outlining their conditions of service. It also clearly explains the rules related to termination, retrenchment, and closure of establishments. Earlier, different laws had different definitions for worker categories and procedures for termination. The new Code simplifies these provisions and sets uniform rules. For example, establishments above a certain size must seek prior approval for retrenchment or closure, while smaller units follow a simpler process. This clarity helps employers avoid legal confusion and ensures workers understand their rights.

3. To promote negotiation through trade unions

The Code strengthens collective bargaining by introducing the concept of a negotiating union or a negotiating council. In establishments where several unions exist, the one with the highest membership will be recognised as the primary negotiating union. This reduces fragmentation among unions and allows for smoother discussions on wages, working conditions, and welfare benefits. Healthy negotiation through unions prevents unnecessary disputes and encourages cooperation between workers and management. It also ensures that worker voices are represented in a structured and democratic manner.

4. To streamline procedures for strikes and lockouts

The Code sets clear procedures that must be followed before any strike or lockout. Workers must provide advance notice before going on strike, and employers must also give notice before declaring a lockout. This prevents sudden disruptions that can damage production, supply chains, and employment stability. Under the old laws, different industries followed different procedures, leading to confusion. The new Code creates a uniform system so that both sides have time to negotiate before resorting to extreme actions. This helps maintain industrial harmony and business continuity.

5. To ensure stability in labour relations across enterprises of different sizes

The Indian economy is highly diverse, with more than 90% of establishments falling in the micro and small category. These businesses often struggled with multiple compliances and unclear processes under earlier industrial laws. The Code provides a simpler structure that can be followed by enterprises of all sizes. By reducing procedural delays and introducing digital systems for filings and approvals, the Code benefits small and medium enterprises. At the same time, it provides clear safety measures and rights for workers in large industries. The goal is to create a labour relations environment that supports economic growth, investment, and job creation while safeguarding worker welfare.

5.1.3.3 Major Provisions of the Industrial Relations Code, 2020

1. Trade Union Recognition

Trade union recognition refers to the legal acknowledgement of a workers' union as the representative body that negotiates with the employer on matters related to employment conditions, wages, workplace rights, dispute resolution, and more. Under the Industrial Relations Code, 2020, this concept has been clarified and strengthened to reduce conflicts among multiple unions and to streamline collective bargaining in an industrial establishment.

- i. **Single Union Recognition:** If there is only one registered trade union in an industrial establishment, the employer is required to recognise that union as the sole body that will negotiate on behalf of the workers. This means that this trade union has the exclusive right to represent the workforce in discussions with management on wages, work conditions, and other labour matters.
- ii. **Recognition When Multiple Unions Exist:** When more than one registered trade union exists in the same establishment, the Code states that the trade union with membership of at least fifty-one percent of the workers on the muster roll must be recognised by the employer as the sole negotiating union. This requirement helps avoid disputes between unions and strengthens collective bargaining by giving clear authority to the larger union.

By setting a clear membership threshold for recognition, the Code helps avoid conflicts between rival trade unions that may otherwise claim to represent the same workforce. It also encourages unions to organise and increase their membership if they wish to be the official negotiating body.

2. Standing Orders

Standing orders are a set of written rules that govern the terms and conditions of employment within an industrial establishment. These include rules on work hours, discipline, holidays, overtime, leave, and other workplace practices. Under the Industrial Relations Code, standing orders must be prepared and certified for applicable establishments to ensure clarity and fairness in employment relations.

- i. **Applicability Threshold :** Under the new Code, standing orders are required only for industrial establishments that employ 300 or more workers. This is a significant change from earlier laws, where the threshold was lower (for example, previously the requirement could apply to establishments with as few as 100 workers). Raising the threshold to 300 reduces compliance requirements for small and medium establishments.
- ii. **Key Content of Standing Orders :** Standing orders must clearly outline important workplace parameters so that both employers and workers understand their rights and obligations. These include:
 - a. **Work hours:** These are the number of hours a worker is expected to work each day or week and the rules around shift patterns, start and end times, and breaks.



- b. **Discipline Rules:** Standards of conduct expected from employees, including behaviour at work, punctuality, and consequences for violations. Clear discipline rules help maintain order and reduce workplace disputes.
- c. **Holidays:** This section specifies paid and unpaid holidays, statutory holidays, and rules for how leave will be granted and scheduled.
- d. **Overtime:** Rules on overtime define how extra hours worked beyond the normal work schedule are to be compensated or managed, ensuring compliance with labour laws.
- e. **Leave Rules:** This covers entitlement to sick leave, casual leave, earned leave, and conditions for availing these leaves.

iii. Exemption for Small Businesses

Very small enterprises and nano businesses, which typically have fewer than 20 or 50 workers and certainly fewer than 300, do not need to frame or certify standing orders. This reduces administrative burden on very small operators such as tailoring shops, small repairs kiosks, local service providers, and similar units.

Standing orders bring transparency and predictability to workplace management. They help prevent misunderstandings between employers and workers by making workplace terms clear and legally recognised. At the same time, raising the threshold for applicability reduces the regulatory load on smaller businesses that may not have the capacity to prepare formal standing orders.

3. Reskilling Fund

The Industrial Relations Code introduces a reskilling fund to support workers who lose their jobs due to retrenchment. Retrenchment means termination of a worker for economic or organisational reasons, not for disciplinary action. The reskilling fund ensures that a retrenched worker receives financial support to learn new skills and improve future employability.

- i. **Employer Contribution:** Under this provision, when a worker is retrenched, the employer must contribute an amount equal to fifteen days wages into the reskilling fund. This amount is transferred to the worker so that they can undergo training, learn new vocational skills, or upgrade abilities required in a changing labour market.
- ii. **Purpose:** India's labour market is undergoing rapid transformation due to digitalisation and automation. The reskilling fund ensures a smooth transition for workers and reduces the social and economic impact of job loss. It also encourages companies to retrench workers only when absolutely necessary.

4. Strikes & Lockouts

- i. **Need for Regulation:** Strikes by workers and lockouts by employers directly affect productivity and can cause major disruptions. To prevent sudden stoppage of work, the Code introduces clear procedures for both strikes and lockouts.
- ii. **Mandatory Notice:** Any strike or lockout requires a compulsory notice period of fourteen days. This provision gives time for both parties to discuss issues, negotiate, and explore peaceful settlement before industrial work stops.
- iii. **Restrictions during Proceedings:** Strikes are prohibited during certain legal proceedings. Workers cannot strike during conciliation, during hearings at an industrial tribunal, or while arbitration is in progress. These restrictions prevent parallel disruptions when a dispute is already being resolved through formal channels.
- iv. **Importance:** These rules reduce abrupt conflicts and maintain stability in industries such as manufacturing, transport, and public utilities, where sudden stoppages can affect the public.

5. Fixed-Term Employment

Fixed-term employment allows employers to hire workers for a specific duration based on seasonal or temporary need. The Code ensures that these workers receive the same wages, allowances, and benefits as permanent workers performing similar work. This includes proportionate gratuity if they serve for the required period.

Benefits for Businesses: For small businesses, fixed-term contracts offer flexibility without exploiting workers. Small enterprises often experience seasonal variations, and hiring permanent staff for short periods becomes financially difficult.

Example: During festive seasons like Onam, Christmas, Diwali, and Ramadan, small shops, bakeries, tailoring units, and home-based boutiques experience higher demand. They can hire extra workers for a few months and still maintain wage fairness. Examples include temporary sales assistants for festival crowds, additional tailoring workers during wedding seasons, and extra helpers in bakeries during peak festival periods.

Benefits for Workers: Workers get better income security, formal contracts, recognition of service, and skill-building opportunities instead of informal or unregulated temporary work.

6. Industrial Dispute Resolution

Industrial disputes arise when there is disagreement between employers and workers regarding wages, working conditions, termination, discipline, or other employment issues. The Code provides a clear three-tier system to resolve disputes quickly and legally.



Level One: Conciliation Officer

A conciliation officer attempts to settle disputes through discussion and negotiation. The focus is on peaceful resolution without going to court. Most disputes in India are resolved at this stage, making it a cost-effective and time-saving process.

Level Two: Industrial Tribunal

If conciliation fails, the dispute is referred to an industrial tribunal. Tribunals have judicial powers and can give binding decisions on issues such as layoffs, wage revision, and reinstatement. They function faster than traditional courts and specialise in labour matters.

Level Three: National Industrial Tribunal

Disputes involving national importance, large-scale industries, or issues that affect workers across several states are taken to the national industrial tribunal. This body deals with complex matters such as disputes in major public sector units, large manufacturing groups, or cases that have national economic impact.

Outcome: This structured resolution mechanism promotes fair settlement, reduces long-term conflicts, and strengthens trust between employers and employees.

5.1.3.4 Penalties under the Industrial Relations Code, 2020

The Industrial Relations Code specifies certain penalties to ensure that both employers and workers follow the rules related to strikes, lockouts, and retrenchment. These penalties are meant to maintain discipline in industrial establishments and to prevent actions that disturb production or employment without following due legal procedure.

Illegal Strikes

If workers go on strike without giving the required notice or during periods when strikes are legally prohibited, it is considered an illegal strike. This type of strike can interrupt production suddenly and cause financial losses to small and large businesses.

Penalty: A fine up to fifty thousand rupees may be imposed on workers or unions involved in organising such strikes. This provision encourages workers to follow proper procedures like notice periods and conciliation before resorting to a strike.

Illegal Lockouts

A lockout becomes illegal when an employer closes a workplace or refuses work without giving the compulsory notice or during periods when lockouts are not allowed. Illegal lockouts harm workers by stopping their wages abruptly and disrupting their livelihoods.

Penalty: An employer who conducts an illegal lockout can be fined up to one lakh rupees. This provision discourages employers from using lockouts as a sudden or unfair bargaining tool.

Violation of Retrenchment Rules

Retrenchment refers to the termination of workers due to reasons such as closure, downsizing, or financial stress. The Code requires employers to follow specific procedures, including notice, compensation, and contribution to the reskilling fund. If these rules are not followed, it can lead to unfair treatment and sudden job loss for workers.

Penalty: Violation of retrenchment procedures can lead to imprisonment for up to six months, or a monetary fine, or both. This ensures that employers act responsibly and legally whenever they reduce their workforce.

Case Study: Maruti Suzuki Manesar Conflict of the Year 2012

The incident at the Maruti Suzuki India Limited plant in Manesar, Haryana in the year 2012 remains one of the most significant industrial conflicts in modern India. The Manesar plant had nearly two thousand permanent workers and a much larger number of contract workers. According to the Haryana Police charge sheet and the Government enquiry reports, tension had been building for months due to disagreements over wages, working conditions and the demand for a separate union by workers. On the eighteenth of July, a violent clash broke out on the shop floor. The incident resulted in the death of a senior human resources manager and injuries to several workers and managers. Production came to a complete halt for almost a month, leading to losses estimated at more than two thousand crore rupees as reported by the Society of Indian Automobile Manufacturers.

Lack of Proper Communication Channels

One of the major causes identified was the absence of an effective communication system between management and workers. Contract workers and permanent workers were represented by different groups, which created mistrust. Workers felt that their concerns about workload, disciplinary actions and wage differences were not being given proper attention. The company management on the other hand felt that the communication from their side was not reaching the worker groups in a structured manner. This communication gap allowed small grievances to grow into large conflicts.

Inefficient Grievance Redress Mechanisms

The National Human Rights Commission review of the incident noted that the existing mechanisms for grievance redress were either slow or unclear. Workers complained about the lack of a transparent and time-bound system to raise workplace concerns, such as overtime pressure, denial of leave and unjust disciplinary action. When grievances are not addressed at the early stage, they accumulate and create frustration among workers, which can eventually lead to collective unrest.

Absence of Clear Employment Terms

A major point of conflict was the large number of contract workers who were doing the same tasks as permanent workers but receiving lower wages and fewer benefits. Their terms of employment were often not clearly written or communicated. This



created inequality and dissatisfaction on the shop floor. Many reports pointed out that there was no unified system of employment terms for workers doing similar work. Lack of transparency regarding wages, leave and disciplinary procedures contributed to mistrust between workers and management.

How the Industrial Relations Code Addresses these Issues

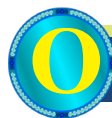
The Industrial Relations Code of the year 2020 was designed keeping such past industrial disputes in mind. It incorporates several provisions that directly address the weaknesses seen in the Maruti Suzuki incident.

- i. Recognition of a Single Negotiating Union :** The Code provides that where multiple unions exist, the one with at least 51% membership will be recognised as the negotiating union. This prevents the rise of rival groups claiming representation. A single recognised union ensures that communication between management and workers is structured, consistent and accountable. This reduces confusion and enhances trust.
- ii. Requirement for Structured Negotiation :** The Code encourages negotiation through registered trade unions and provides clear procedures for raising and settling disputes. This ensures that issues related to wages, working conditions or disciplinary matters are discussed in an organised manner. Structured negotiation prevents sudden escalations and helps both parties reach agreements before disagreements grow into major conflicts.
- iii. Promotion of Fixed Term Employment :** Fixed term employment allows workers to be hired for a specific period while receiving the same wages and benefits as permanent workers for that period of work. This reduces the wide inequality between permanent and contract workers. If such transparent arrangements had existed earlier, many contract workers at Manesar would have had clearer employment terms, which might have reduced resentment and misunderstandings.
- iv. Streamlined Industrial Dispute Settlement :** The Code creates a three-level dispute settlement structure consisting of a Conciliation Officer, an Industrial Tribunal and a National Industrial Tribunal. Each level has clear procedures and timelines. This helps ensure that grievances are addressed quickly, fairly and with legal clarity. These mechanisms reduce the chances of disputes escalating into violence.



Recap

- ◇ The Code on Wages, 2019 consolidates four Central labour laws relating to wages, minimum wages, payment of wages, bonus and equal remuneration.
- ◇ The Code provides a common legal framework for regulating wages and wage-related matters across different sectors.
- ◇ Wages under the Code include basic pay, dearness allowance and retaining allowance, subject to the provisions of the Code.
- ◇ The floor wage provides a national wage benchmark below which the minimum wage fixed by the appropriate government cannot fall.
- ◇ The Code regulates minimum wages, timely payment of wages and permissible deductions to provide greater protection to employees.
- ◇ The Code also incorporates the principle of equal remuneration and prohibits discrimination in wages on the basis of gender for the same or similar work.
- ◇ The Industrial Relations Code, 2020 consolidates the laws relating to trade unions, standing orders and industrial disputes.
- ◇ The Code provides for trade-union recognition and collective bargaining through a negotiating union or negotiating council.
- ◇ The Code regulates strikes and lockouts and provides mechanisms such as conciliation and industrial tribunals for the settlement of industrial disputes.
- ◇ The Code also contains provisions relating to fixed-term employment, retrenchment and the reskilling fund, creating a framework for managing changing employment relationships.



Objective Questions

1. What are the four Central labour laws consolidated by the Code on Wages, 2019?
2. What is meant by floor wage under the Code on Wages, 2019?
3. What are the three main components included in the statutory definition of wages?



4. What is the purpose of minimum wages under the Code on Wages, 2019?
5. What is meant by equal remuneration?
6. Which three major labour laws are consolidated by the Industrial Relations Code, 2020?
7. What is a negotiating union?
8. What are standing orders?
9. What is meant by fixed-term employment?
10. What are the main mechanisms provided for the settlement of industrial disputes?



Answers

1. The Code on Wages, 2019 consolidates the Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965 and Equal Remuneration Act, 1976.
2. Floor wage is the minimum wage benchmark fixed by the Central Government below which the minimum wage fixed by the appropriate government cannot fall.
3. The three main components are basic pay, dearness allowance and retaining allowance.
4. Minimum wages are intended to ensure that employees receive at least the statutorily prescribed minimum level of remuneration for their work.
5. Equal remuneration means that men and women performing the same or similar work should receive equal wages without gender-based discrimination.
6. The Industrial Relations Code, 2020 consolidates the Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946 and Industrial Disputes Act, 1947.
7. A negotiating union is a recognised trade union that represents workers in collective negotiations with the employer.
8. Standing orders are written rules that specify the terms and conditions of employment, including matters such as work hours, leave, discipline and other workplace practices.

9. Fixed-term employment is employment for a specified period under a contract, with the worker receiving the applicable wages and benefits prescribed under the law.
10. The main mechanisms include conciliation, industrial tribunals and the National Industrial Tribunal.



Self - Assessment Questions

1. Explain the need for the consolidation of wage-related labour laws under the Code on Wages, 2019.
2. Explain the meaning of wages under the Code on Wages, 2019 and discuss its major components.
3. Describe the concept of floor wage and explain its relationship with minimum wages.
4. Explain the major provisions relating to minimum wages and timely payment of wages under the Code on Wages, 2019.
5. Discuss the principle of equal remuneration and its importance in employment.
6. Explain the need for the Industrial Relations Code, 2020 and identify the major laws consolidated under it.
7. Explain the concept of trade-union recognition and collective bargaining under the Industrial Relations Code, 2020.
8. What are standing orders? Explain their importance in regulating employment conditions.
9. Explain the provisions relating to strikes and lockouts under the Industrial Relations Code, 2020.
10. Discuss the provisions relating to fixed-term employment, retrenchment and the reskilling fund under the Industrial Relations Code, 2020.





Assignments

1. Analyse how the Code on Wages, 2019 seeks to balance the interests of employers and employees through its provisions relating to minimum wages, timely payment of wages, equal remuneration and bonus.
2. Analyse the role of the Industrial Relations Code, 2020 in regulating relations between employers, workers and trade unions, with particular reference to collective bargaining, strikes and lockouts, retrenchment, fixed-term employment and industrial dispute resolution.



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Unit - 2

Code on Social Security, 2020 and the OSHWC Code (2020)



Learning Outcomes

After completing this unit, the learners will be able to:

- ◇ explain the objectives and major provisions of the Code on Social Security, 2020, including its coverage of organised, unorganised, gig and platform workers
- ◇ describe the major social-security schemes under the Code, including EPF, ESI, gratuity, maternity benefits and social-security measures for gig and platform workers
- ◇ explain the major provisions of the Occupational Safety, Health and Working Conditions Code, 2020, relating to workplace safety, working hours, welfare facilities and the protection of different categories of workers
- ◇ analyse the responsibilities of employers and the rights of employees relating to occupational safety, health, welfare and workplace compliance



Prerequisite

Imagine a worker who has spent many years in an organisation and suddenly faces retirement, illness or an accident. Without some form of social-security protection, the loss of income could create serious financial difficulties for the worker and the family. Now consider a delivery worker who works through a digital platform, a construction worker who moves from one state to another, or a factory worker who handles machinery every day. Their employment situations may be very different, but each needs some form of protection against risks associated with work and life. At the same time, employers need clear rules regarding workplace safety, health, welfare facilities and their responsibilities towards workers. This unit introduces the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions Code, 2020, and examines how these Codes address social-security protection and workplace safety in the changing world of work.



Keywords

Code on Social Security, 2020, Social Security, Gratuity, Maternity Benefits, Gig Workers, Platform Workers, Unorganised Workers, Social Security Fund, OSHWC Code, 2020, Contract Labour, Inter-State Migrant Workers, Overtime, Personal Protective Equipment, Inspector-cum-Facilitator



Discussion

5.2.1 Introduction

The Government of India consolidated 29 Central labour laws into four Labour Codes to simplify the labour-law framework, reduce regulatory complexity and strengthen the protection of workers. Among these, the Code on Social Security, 2020 and the Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020 address two important aspects of employment: social security and workplace safety.

The Code on Social Security, 2020 seeks to extend social-security protection to a wider section of the workforce. In addition to employees in the organised sector, it recognises the need for social-security measures for unorganised workers, gig workers and platform workers. It brings areas such as provident fund, employees' state insurance, maternity benefits and other social-security measures within a common legal framework. This is particularly significant because a large proportion of India's workforce is engaged in the unorganised sector.

The OSHWC Code, 2020 focuses on ensuring safer and healthier working conditions. It brings together provisions relating to occupational safety, health, welfare facilities, working conditions, contract labour and inter-State migrant workers. The Code also seeks to simplify regulatory procedures through measures such as common registration and licensing provisions and greater use of digital processes.

Together, these two Codes represent an important shift towards a broader and more integrated framework of labour protection. However, the actual coverage and availability of particular benefits depend on the applicable provisions, rules, notifications and schemes. Their significance is therefore not limited to traditional organised employment but extends to the changing nature of work in India's economy.

5.2.2 Code on Social Security, 2020 (Code 3)

5.2.2.1 Objectives

1. Integrate 9 central laws relating to social security

The Social Security Code seeks to consolidate nine separate and sometimes overlapping labour laws, including the EPF Act (1952), ESI Act (1948), Maternity



Benefit Act (1961), Payment of Gratuity Act (1972), and others into a single, coherent framework. Earlier, employers had to comply with multiple compliance, registers, and authorities, creating confusion and administrative delays. By integrating these laws, the Code reduces fragmentation, eliminates conflicting provisions, and creates uniform definitions (such as “wages”), which makes the social security ecosystem more predictable. This consolidation reflects recommendations of committees such as the Second National Commission on Labour (2002), which emphasised the need to simplify labour legislation to improve both worker welfare and employer efficiency.

2. Extend protection to organised, unorganised, gig, and platform workers

For the first time in India’s labour history, the law formally recognises gig workers (e.g., Ola/Uber drivers, Swiggy delivery partners) and platform workers as a distinct labour category eligible for social security benefits. Earlier labour laws primarily addressed workers in the organised sector, less than 10% of India’s workforce. The Code expands coverage by mandating the creation of welfare schemes for unorganised workers (e.g., construction labour, street vendors, domestic workers), and enabling government-funded or joint contribution-based schemes for gig and platform workers. This shift aligns with the rapid growth of India’s platform economy, and ensures that millions who lack employer-employee relationships are not excluded from social protection.

3. Promote universal social security coverage

The Code aims to move India toward a universal social security system by removing restrictive thresholds that previously prevented small establishments and informal workers from accessing benefits. It empowers the central government to frame schemes on life and disability insurance, health protection, old-age security, and maternity benefits for all workers, regardless of industry or contract type. With majority of Indian workers in the informal sector, universalisation is a major milestone in ensuring social protection as a right rather than a privilege.

4. Simplify and digitise compliance through a single registration

The Code introduces a single social security registration number for establishments, replacing multiple registrations under EPFO, ESIC, and other authorities. This reduces paperwork, duplication, and compliance ambiguity. The system is designed to be fully digital, using online returns, electronic maintenance of records, and Aadhaar-based identification. For small and medium enterprises, particularly MSMEs that account for 30% of India’s GDP, this simplification reduces compliance costs and frees administrative time that can be redirected to business growth. Digitisation also enhances transparency, curbs leakages in benefit delivery, and ensures workers can port their benefits across jobs and locations.

5.2.2.2 Major Social Security Schemes under the Code

1. Employees’ Provident Fund (EPF)

The Employees’ Provident Fund (EPF) is one of India’s major contributory social-security schemes, designed to provide financial security to employees during and after

their employment. It was originally governed by the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, and is now incorporated into the Code on Social Security, 2020. The EPF framework generally applies to establishments employing 20 or more employees, subject to the conditions prescribed under the law, and may also be extended to smaller establishments by the Government.

Under the scheme, both the employer and the employee make regular contributions to the provident fund, helping the employee build a retirement corpus over the period of employment. The EPF framework also includes the Employees' Pension Scheme (EPS), which provides pension benefits subject to the applicable conditions, and the Employees' Deposit Linked Insurance (EDLI) Scheme, which provides insurance benefits to the nominee or beneficiaries if an employee dies while in service. Together, these schemes provide employees with retirement savings, pension protection and insurance support, making EPF an important component of India's social-security system.

2. Employees' State Insurance (ESI)

The ESI scheme is a comprehensive social insurance programme offering medical, sickness, maternity, and disability benefits. It is mandatory for establishments employing 10 or more workers, though some states prescribe thresholds of 20. ESI operates through a contributory structure: employers contribute 3.25% of wages and employees contribute 0.75%. Under the Code, ESI coverage is to be expanded in a phased manner to all districts, including remote and unorganised-sector-dominated areas. A significant reform is the enabling provision that allows the government to notify separate social security schemes for gig and platform workers, rather than extending conventional ESI benefits automatically through special government-notified schemes, reflecting the changing labour market. ESIC currently operates over 160 hospitals and 1500 dispensaries nationally, providing affordable healthcare to millions of low-income workers and their families.

3. Gratuity

Gratuity is a statutory retirement benefit provided to employees as a token of appreciation for long-term service. Traditionally, workers became eligible only after completing five years of continuous service. The Code allows fixed-term employees to receive gratuity proportionate to the duration of their contract, subject to conditions notified by the appropriate government, calculated proportionately based on the duration of their contract. This addresses the growing prevalence of project-based employment in sectors like IT, hospitality, and manufacturing. It also ensures parity between permanent and fixed-term contract workers, promoting fairness in compensation and reducing exploitation.

4. Maternity Benefits

The Code carries forward the maternity provisions from the Maternity Benefit Act, 1961, incorporating amendments such as 26 weeks of paid maternity leave for women employed in establishments with 10 or more workers. This places India among countries with comparatively longer statutory maternity leave provisions. The law mandates creche facilities for establishments employing 50 or more workers, subject



to rules framed by the appropriate government, ensuring childcare support for working mothers. Additionally, employers must provide four visits a day (including rest intervals) for women to visit the creche. These provisions aim to increase women's workforce participation, which is still low at around 24% in India (PLFS). Public-sector bodies, banks, and IT firms have widely implemented these measures.

5. Gig and Platform Worker Social Security

One of the most transformative features of the Social Security Code is the formal recognition and protection of gig and platform workers, who were previously outside the scope of labour laws. Gig workers include individuals engaged in short-term, task-based work (e.g., Swiggy and Zomato delivery executives), while platform workers provide services through digital platforms (e.g., Uber, Ola, Urban Company). The Code mandates the government to frame social security schemes funded through a tripartite model:

- ◇ The Code empowers the government to notify contribution rates for aggregators (online platforms), subject to a statutory ceiling, through future rules, excluding GST.
- ◇ Central and State Governments can contribute financial support.
- ◇ Gig/platform workers may contribute voluntarily: This enables the creation of a Social Security Fund through which notified welfare benefits may be provided, subject to scheme design and funding arrangements for millions of gig workers. India becomes one of the few countries to legally recognise gig workers as a category deserving state-backed social security.

6. Unorganised Workers' Benefits

Over 93% of India's workforce falls in the unorganised sector, such as construction labourers, agricultural workers, domestic workers, street vendors, and home-based workers. The Code aims to universalise social protection for this vast segment. Registration on the e-Shram Portal, introduced in 2021, facilitates identification and access to welfare schemes, though registration is not legally mandatory under the Code. As of early 2024, the portal has registered over 29 crore unorganised workers, making it the world's largest labour database.

5.2.2.3 Key Provisions

1. Universal Account Number (UAN)

A unified registration framework enables streamlined access to multiple social security schemes, though certain benefits like gratuity and insurance continue to operate through scheme-specific mechanisms.

2. Aadhaar-based Identification

Ensures portability and transparency.

3. Social Security Funds

Separate funds for:

- ◇ Gig workers: Gig workers generally do not have a traditional employer–employee relationship and often lack regular wages, job security, and conventional employment benefits.
- ◇ Unorganised workers
- ◇ Building & construction workers

4. Inspector-cum-Facilitator System

Enables advisory guidance + simplified inspections.

5.2.2.4 Advantages of the Code

- ◇ Simplification of laws
- ◇ Expanded coverage
- ◇ Digital compliance
- ◇ Recognition of the gig economy
- ◇ Reduction in paperwork

5.2.2.5 Challenges

- ◇ Implementation delays
- ◇ Lack of awareness among unorganised workers
- ◇ Financial burden on small enterprises

5.2.3 Code on Occupational Safety, Health and Working Conditions, 2020 (Code 4)

The Code on Occupational Safety, Health and Working Conditions, 2020 seeks to establish a comprehensive and uniform legal framework for regulating occupational safety, health and working conditions across different sectors. Its major features include the following:

1. Consolidate 13 labour laws related to safety and working conditions

The OSHWC Code merges 13 existing central labour laws, including the Factories Act (1948), Mines Act (1952), Contract Labour Act (1970), Inter-State Migrant Workmen Act (1979), and Building and Other Construction Workers Act (1996) into a single, comprehensive legislation. Earlier, different sectors were governed by separate safety regulations, which were not always consistent with one another. This made compliance more difficult for employers and created uncertainty for workers regarding the safety



standards and protections applicable to them. By consolidating these laws, the Code brings uniformity in definitions, processes, registrations, and enforcement mechanisms. This consolidation aligns with the recommendations of the Second National Commission on Labour (2002), which emphasised the need for reducing legislative complexity to improve worker protection and employer compliance.

2. Modernise workplaces with uniform safety standards

One of the key goals of the Code is to update India's industrial safety and working condition standards to reflect modern technologies, new workplace practices, and emerging risks. Many earlier legislations were based on conditions of the 1940s–1970s and did not adequately cover automation, chemical hazards, ergonomic risks, or digital forms of employment. The Code introduces uniform safety norms across factories, mines, plantations, docks, and other establishments, ensuring that basic safety requirements are consistent irrespective of location or industry. It empowers the Central Government to prescribe standards through rules, allowing safety norms to be regularly updated without passing new laws each time. This makes the regulatory framework flexible, responsive, and aligned with global Occupational Safety and Health (OSH) conventions of the International Labour Organisation (ILO).

3. Protect the health, safety, and welfare of workers across sectors

The Code seeks to ensure the well-being of all categories of workers, including contract labour, inter-state migrant workers, women, and workers in hazardous industries, by mandating safety measures, working hour limits, welfare provisions, and health facilities. It includes provisions for:

- ◇ Free annual health check-ups,
- ◇ Safe working hours and overtime limits,
- ◇ Mandatory canteens, restrooms, and drinking water,
- ◇ Protection for women working night shifts,
- ◇ Safety committees and safety officers,
- ◇ Emergency response and workplace hazard management.

These measures aim to reduce workplace accidents, which continue to be a major concern. For example, According to Labour Bureau data, reported industrial accidents in the organised sector numbered several thousand annually, though underreporting remains a concern, and informal sector accidents are even more underreported. By expanding coverage to both organised and unorganised establishments, the Code represents a significant expansion of occupational health and safety regulation across multiple sectors. It recognises that a healthy and safe workforce is essential for productivity, economic growth, and the dignity of labour.

5.2.3.1 Coverage

The OSHWC Code, 2020 brings under one umbrella a wide range of establishments and worker categories that were previously governed by different laws. The aim is to ensure that every worker, irrespective of the sector or nature of employment, receives minimum standards of safety, health, and welfare. The expanded coverage is explained below:

- a. **Factories:** The Code applies to factories involved in manufacturing processes using power with 10 or more workers, or without power with 20 or more workers. This replaces the varied thresholds of the earlier Factories Act, ensuring uniform rules. Coverage includes manufacturing units from textiles and chemicals to food processing and engineering. The Code mandates safety officers, working-hour limits, ventilation standards, and emergency protocols.
- b. **Mines:** Mining is one of the most hazardous occupations, and the Code retains the stringent safety norms earlier prescribed under the Mines Act, 1952. It applies to all underground, open-cast, and above-ground mines. The coverage includes safety audits, protective equipment, rescue teams, and mandatory reporting of accidents. India's mining sector employs over 1 million workers, many in high-risk conditions, making this inclusion crucial for worker protection.
- c. **Dock Work:** The Code covers workers engaged in loading, unloading, storage, and movement of goods at ports, replacing the Dock Workers (Safety, Health and Welfare) Act, 1986. Port activities often involve heavy machinery, cranes, and hazardous environments. By standardising safety protocols, the Code reduces risks of accidents in India's 12 major ports and numerous minor ports.
- d. **Contract Labour:** Contract labour provisions apply based on notified thresholds and establishment-specific criteria prescribed under the Code. This is significant as contract work forms a large share of India's workforce in construction, manufacturing, and services. The Code mandates licensing of contractors, welfare facilities, timely payment of wages, and safety provisions for contract workers previously excluded from uniform protections.
- e. **Motor Transport Workers:** Workers engaged in commercial road transportation such as truck drivers, bus drivers, cleaners, and conductors, are covered. This replaces the Motor Transport Workers Act, 1961. The Code sets standards for working hours, rest intervals, medical facilities, and protection from fatigue-related accidents. In India, where road transport accounts for over 60% of freight movement, ensuring the safety of transport workers is vital.
- f. **Inter-State Migrant Workers:** The Code provides protection for migrant workers who move across state borders for employment. It simplifies registration, ensures journey allowances, displacement allowance, and provides access to public distribution and social security schemes. According to Census data and recent surveys, India has over 11 crore internal migrants, many of whom work in construction, textiles, and plantations. Their inclusion reflects lessons learned during the COVID-19 lockdown when migrant vulnerabilities became visible.



- g. **Plantations:** Workers in tea, coffee, rubber, and cardamom plantations are covered, replacing the Plantations Labour Act, 1951. The Code mandates welfare facilities such as housing, drinking water, medical care, and protection from chemical exposure. Plantations employ around 8–10 lakh workers, many from tribal and marginalised communities, making this inclusion socially significant.
- h. **Beedi and Cigar Workers:** The Code covers workers engaged in beedi rolling, cigar making, and related processes, including home-based workers. It replaces the Beedi and Cigar Workers (Conditions of Employment) Act, 1966. The beedi industry employs large number of workers, predominantly women working from home. Inclusion ensures basic welfare facilities, registration, and protection from exploitative contractors.
- i. **Audio-Visual Production Workers:** Workers engaged in film, television, OTT content, advertising, and other media productions are included. This reflects the modernisation of India's labour laws to keep pace with the booming entertainment industry. The Code covers stunt workers, camera crews, sound technicians, set designers, and others, ensuring safety during risky shoots, long hours, and high-intensity production environments.
- j. **Gig and Platform Workers (in certain provisions) :** Though the primary social security framework for gig workers lies in the Social Security Code (Code 3), The OSHWC Code allows the government to notify safety-related provisions applicable to platform-based work, where feasible, depending on government notification. This includes people working with ride-hailing apps, delivery platforms, home-service apps, and digital marketplaces. Given India's rapidly expanding gig economy, projected to reach 23.5 million workers by 2030 (NITI Aayog), their partial inclusion marks a progressive step toward universal workplace safety.

5.2.3.2 Core Provisions of OSHWC Code

1. Licensing & Registration

The OSHWC Code simplifies the complex licensing system that previously required separate licences under different labour laws. It introduces a single, unified licence for factories, industrial premises, and contractors, reducing bureaucratic delays and compliance costs, especially for MSMEs. The Code mandates online registration, filing of returns, and digital maintenance of records, enabling transparency and ease of doing business. This digital-first approach aligns with the Government of India's *Digital India* initiative and helps labour authorities maintain real-time compliance data.

- a. **Single licence for factories, contractors, and industrial premises:** Previously, establishments had to obtain separate licences under Acts like the Factories Act, Contract Labour Act, and Inter-State Migrant Workmen Act. The unified licence framework is intended to reduce multiplicity of approvals, subject to digital infrastructure readiness and rule notification, improving administrative efficiency and reducing duplication.

- b. **Online registration and returns:** Employers can register establishments, renew licences, and file compliance reports online through dedicated government portals. This reduces paperwork, enhances accountability, and supports faster verification. It also helps workers track establishment compliance digitally.

2. Working Hours

The Code prescribes general working-hour norms while allowing sector-specific and state-level flexibility, ensuring uniformity and protecting workers from excessive or exploitative work schedules.

- a. **Standard workday: 8 hours:** An 8-hour workday, consistent with ILO conventions, ensures that workers are not subjected to prolonged working hours without proper rest. Weekly working hours are capped at 48 hours, though states may allow flexible work arrangements with appropriate safeguards.
- b. **Overtime wages: minimum 2x normal wage:** Any work beyond the prescribed working hours must be compensated at double the ordinary rate of wages. This protects workers from unpaid overtime and discourages employers from overburdening staff. Overtime records must be maintained digitally and made available for inspection.

3. Health & Safety Measures

A central pillar of the Code is the enhancement of health and safety standards across workplaces. Employers have an obligation to create hazard-free environments and monitor worker well-being. Employers must provide:

- a. **Clean and ventilated workplace:** Adequate ventilation, lighting, temperature control, and sanitation facilities are required, especially in hazardous industries. Poor indoor air quality has been linked to occupational illnesses, making this provision essential.
- b. **Safe machinery:** Machinery must comply with safety standards, be regularly inspected, and fitted with protective guards. Employers must ensure preventive maintenance to avoid accidents arising from equipment malfunction.
- c. **Free annual health check-ups:** Annual health examinations are mandatory for workers in notified establishments, particularly where hazardous processes are involved. This enables early detection of occupational diseases and reduces long-term health risks.
- d. **Disposal of waste:** Safe disposal of industrial waste especially, chemical and biomedical waste, is mandated to prevent workplace contamination and environmental damage.
- e. **Training in safety practices:** Employers are required to provide safety training, induction programmes, and emergency response instructions. This is crucial for new workers, contract labourers, and those handling hazardous materials.



4. Welfare Facilities

The Code mandates essential welfare amenities to ensure workers' dignity and quality of life beyond basic safety requirements.

- a. **Washing, canteen, creche facilities:** Clean washing spaces and canteens are mandatory in establishments employing a specified number of workers. Creche facilities must be provided in establishments with 50 or more workers, supporting working mothers and improving child safety.
- b. **Rest rooms:** Comfortable rest rooms or shelters must be provided for workers, especially in sectors like construction, transport, and manufacturing, where long hours and physical labour are common.
- c. **First-aid appliances:** Adequate first-aid equipment, trained personnel, and emergency medical facilities must be available in all establishments. Mines, factories, and docks must have dedicated first-aid rooms.
- d. **Welfare officers in establishments with 250+ workers:** Establishments employing the prescribed number of workers must appoint welfare officers as notified under the rules, responsible for labour welfare measures, grievance handling, and compliance with safety norms.

5. Inter-State Migrant Workers

The Code brings significant reforms to address long-standing vulnerabilities of migrant workers, highlighted dramatically during the COVID-19 pandemic.

- a. **Mandatory portability of benefits:** The Code enables portability of certain benefits for migrant workers, subject to inter-state coordination and scheme-specific rules. A single registration number ensures seamless access even when changing employers or locations.
- b. **Travel allowance:** Employers must provide annual to-and-fro journey allowance for migrant workers to visit their home state, ensuring financial relief that was absent in earlier laws.
- c. **Helpline and grievance redressal:** States must establish dedicated helplines and mechanisms for quick complaint resolution. This supports migrant workers who often struggle with language barriers, wage disputes, and a lack of local support networks.

6. Contract Labour Rules

The Code strengthens protection for contract labour by ensuring accountability of both contractors and principal employers.

- a. **Contractors must provide wage slips, safety equipment, and working condition compliance:** Contractors are required to issue digital or physical wage slips, maintain records, provide personal protective equipment (PPE), and ensure safe working conditions. This prevents exploitation common in construction and manufacturing sectors.

- b. Employer responsible for welfare if contractor fails:** If the contractor defaults on wage payments or welfare benefits, the principal employer becomes responsible. This ensures continuity of worker welfare and prevents labour disputes.

7. Women Workers

The Code promotes gender equity by expanding opportunities for women while ensuring their safety and dignity at the workplace.

- a. Permission to work night shifts (7 PM–6 AM):** Women may work night shifts based on their choice, creating more employment opportunities in sectors such as IT, healthcare, hospitality, and manufacturing, with the following safeguards:
 - i. Safety measures:** Employers must ensure adequate lighting, CCTV surveillance, security personnel, and safe transportation routes.
 - ii. Consent:** Women must provide written consent for night work to prevent coercion.
 - iii. Transport facilities:** Safe, reliable transport to and from the workplace must be provided, including pick-up and drop-off services.

This section aligns with global trends encouraging women's workforce participation while maintaining safety and respect.

5.2.3.3 Duties of Employers

The OSHWC Code clearly outlines the responsibilities of employers to ensure safe, healthy, and humane working environments. These duties are essential for preventing industrial accidents, promoting worker well-being, and maintaining compliance with national labour standards.

1. Ensure workplace safety

Employers are legally required to maintain a hazard-free workplace by implementing engineering controls, safety protocols, and preventive maintenance. This includes ensuring proper lighting, ventilation, emergency exits, machine guarding, and adherence to prescribed safety standards. Regular safety audits and risk assessments must be conducted to identify potential hazards. The emphasis is on *prevention* rather than merely responding to accidents, aligning with global occupational safety principles set by the International Labour Organisation (ILO).

2. Provide personal protective equipment (PPE)

Employers must supply workers with appropriate PPE such as helmets, gloves, safety shoes, goggles, harnesses, masks, and hearing protection, at no cost. PPE must meet quality standards, be regularly inspected, and replaced when necessary. In sectors like construction, chemical plants, mines, and heavy engineering, PPE is crucial for reducing exposure to hazardous substances and preventing injuries. Employers must also ensure that workers use PPE correctly and consistently.



3. Report accidents

All accidents, dangerous occurrences, and occupational diseases must be reported to the authorities within the prescribed time. This includes both fatal and non-fatal incidents. The Code mandates digital or written reporting to ensure transparency, accountability, and prompt investigation. Accurate accident reporting is essential for analysing workplace risks, enforcing compliance, and providing compensation or benefits to affected workers and their families.

4. Conduct safety training

Employers must organise regular training programmes to educate workers on safe operating procedures, emergency responses, hazard recognition, and proper use of machinery and equipment. Training is especially important for new workers, contract labour, and those working in hazardous occupations. The Code requires documented training sessions so that workers remain updated on safety protocols, reducing the likelihood of human error, a major cause of industrial accidents.

5. Maintain registers and records

Employers must keep comprehensive records of workers, working hours, overtime, shift schedules, wages, accidents, medical examinations, and safety training. These records must be maintained digitally or in prescribed formats and made available for inspection by labour authorities. Proper record-keeping ensures legal compliance, facilitates dispute resolution, and supports the monitoring of workplace health and safety trends.

3.2.3.4 Rights of Employees

The OSHWC Code recognises workers as key stakeholders in workplace safety and gives them several important rights to safeguard their health, dignity, and security. These rights empower employees to participate actively in maintaining safe working environments.

1. Right to information on hazards

Employees have the right to be informed about all workplace hazards such as chemical, physical, biological, mechanical, or environmental that may affect their health or safety. Employers must display safety notices, maintain hazard communication systems, and label dangerous substances clearly. Workers must be informed about potential risks through manuals, signage, and spoken instructions. This transparency enables workers to take informed precautions and promotes a culture of safety.

2. Right to safety training

Every worker is entitled to proper training on safe work procedures, handling of machinery, emergency response, and use of personal protective equipment (PPE). The Code mandates employers to conduct training during induction and periodically thereafter. Training is especially critical for contract workers, new recruits, and those in high-risk sectors like construction, mining, manufacturing, and chemical processing.

3. Right to refuse work in dangerous conditions

Employees may refuse work that poses imminent danger, subject to reporting procedures and verification mechanisms prescribed under the Code. Upon reporting the hazard, the employer or safety committee must immediately address the issue. The worker cannot be punished, dismissed, or discriminated against for exercising this right. This provision is inspired by international best practices in occupational safety; ensuring workers are not compelled to undertake unsafe tasks.

4. Right to medical examination

Workers are entitled to free medical examinations, especially in hazardous occupations. This includes periodic health check-ups, emergency medical tests after exposure to toxic substances, and fitness assessments. The purpose is early detection of occupational diseases and prevention of long-term health damage. Employers must maintain medical records and share relevant findings with employees.

3.2.3.5 Inspector-cum-Facilitator

The OSHWC Code introduces a modern compliance model by transforming traditional “inspectors” into Inspector-cum-Facilitators. This shift focuses on guidance, prevention, and transparency rather than punitive inspection alone.

1. Conduct inspections digitally

Inspections may be planned, surprise-based, or technology-driven. Inspectors can use digital checklists, risk-based inspection systems, CCTV footage, and online records to monitor compliance. Establishments must upload registers, licences, and accident reports online, enabling smoother and faster inspections. This reduces rent-seeking behaviour, increases transparency, and promotes ease of doing business.

2. Provide guidance instead of penalties for minor violations

For first-time or minor non-serious violations, inspectors may provide advisory guidance for minor violations, while penalties are imposed in accordance with statutory provisions. The emphasis is on education, compliance, and risk mitigation. Penalties are reserved for serious, wilful, or repeat violations. This approach benefits MSMEs that may unintentionally commit procedural lapses due to lack of awareness.

3.2.3.6 Penalties

The OSHWC Code introduces a graded penalty system that distinguishes between minor, major, and repeated violations, ensuring fairness and deterrence. The penalties are stronger than previous laws to improve employer accountability.

1. ₹2–3 lakh fine for safety violations

For general safety and health-related contraventions such as lack of PPE, unsafe machinery, or inadequate welfare facilities employers may face fines ranging from ₹2 lakh to ₹3 lakh, depending on severity and risk involved. This aims to ensure basic compliance and prevent avoidable accidents.



2. Imprisonment up to 2 years for serious violations

Serious violations that result in death or serious bodily injury, such as failure to follow mandatory safety protocols or negligence in hazardous industries may attract imprisonment as prescribed by the Code in cases involving grave negligence or repeated violations. Courts may also impose fines in addition to imprisonment. This provision serves as a strong deterrent against gross negligence.

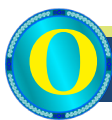
3. Higher penalties for repeat offences

The Code provides for enhanced penalties if an employer repeats the same offence within three years. This may include higher fines, extended imprisonment, or stricter enforcement actions. Repeat offenders may also face cancellation of licence, closure of operations, or restrictions on hiring contract labour. The objective is to encourage sustained compliance rather than temporary corrective action.



Recap

- ◇ The Code on Social Security, 2020 consolidates nine Central labour laws relating to social security into a common legal framework.
- ◇ The Code seeks to extend social-security protection to organised, unorganised, gig and platform workers.
- ◇ Major areas covered by the Code include provident fund, employees' state insurance, gratuity, maternity benefits and other social-security measures.
- ◇ The Employees' Provident Fund (EPF) provides retirement savings, while the associated pension and insurance schemes provide additional financial protection.
- ◇ The Employees' State Insurance (ESI) scheme provides benefits such as medical, sickness, maternity and disability benefits.
- ◇ The Code formally recognises gig and platform workers and provides for social-security schemes for them.
- ◇ The OSHWC Code, 2020 consolidates 13 Central labour laws relating to occupational safety, health and working conditions.
- ◇ The OSHWC Code covers various categories of workers, including those in factories, mines, plantations, contract labour, transport and inter-State migrant employment.
- ◇ The Code provides for working-hour norms, overtime wages, health and safety measures and welfare facilities such as canteens, restrooms, first-aid facilities and creches.
- ◇ The OSHWC Code specifies duties of employers and rights of employees and introduces the Inspector-cum-Facilitator approach to workplace compliance.



Objective Questions

1. How many Central labour laws are consolidated under the Code on Social Security, 2020?
2. Name two categories of workers specifically recognised under the Code on Social Security, 2020.
3. What is the main purpose of the Employees' Provident Fund?
4. What are the major benefits provided under the ESI scheme?
5. What is gratuity?
6. What is meant by a gig worker?
7. How many Central labour laws are consolidated under the OSHWC Code, 2020?
8. What is the purpose of personal protective equipment (PPE) at the workplace?
9. What is the role of an Inspector-cum-Facilitator?
10. Name any two welfare facilities provided for workers under the OSHWC Code.



Answers

1. The Code on Social Security, 2020 consolidates nine Central labour laws relating to social security.
2. Gig workers and platform workers are two categories specifically recognised under the Code.
3. The main purpose of EPF is to provide employees with financial security through retirement savings.
4. ESI provides benefits such as medical, sickness, maternity and disability benefits.
5. Gratuity is a statutory benefit provided to eligible employees in recognition of their service.
6. A gig worker is a person engaged in short-term or task-based work without a traditional employment relationship.



7. The OSHWC Code, 2020 consolidates 13 Central labour laws relating to occupational safety, health and working conditions.
8. PPE protects workers from workplace hazards and the risk of injury or exposure to dangerous substances.
9. An Inspector-cum-Facilitator conducts inspections and also provides guidance to establishments regarding compliance with workplace safety and labour requirements.
10. Canteens and creche facilities are two examples of welfare facilities provided under the OSHWC Code.



Self - Assessment Questions

1. Explain the objectives of the Code on Social Security, 2020.
2. Discuss the significance of extending social-security protection to unorganised, gig and platform workers.
3. Explain the major features of the EPF and ESI schemes under the social-security framework.
4. Discuss the provisions relating to gratuity and maternity benefits under the Code on Social Security, 2020.
5. Explain the role of social-security funds and digital registration mechanisms under the Code.
6. Explain the objectives and significance of the Occupational Safety, Health and Working Conditions Code, 2020.
7. Discuss the coverage of the OSHWC Code with reference to factories, mines, contract labour and inter-State migrant workers.
8. Explain the major provisions relating to working hours, overtime and workplace health and safety.
9. Discuss the duties of employers and rights of employees under the OSHWC Code.
10. Explain the role of the Inspector-cum-Facilitator in ensuring compliance with occupational safety and health requirements.



Assignments

1. Analyse how the Code on Social Security, 2020 seeks to broaden social-security protection in India, with particular reference to organised workers, unorganised workers, gig workers and platform workers. Discuss the role of EPF, ESI, gratuity, maternity benefits and social-security funds in achieving this objective.
2. Analyse how the Occupational Safety, Health and Working Conditions Code, 2020 seeks to create a safer and more regulated working environment. Discuss its provisions relating to workplace safety, working hours, welfare facilities, contract labour, inter-State migrant workers and the duties of employers.



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Model Question Paper Sets



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Model Question Paper (SET- 1)

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FIFTH SEMESTER BACHELOR OF BUSINESS ADMINISTRATION (BBA -
HONOURS) EXAMINATION

MINOR DISCIPLINE COURSES

SGB24LW201MI – INDUSTRIAL AND LABOUR LAWS

(CBCS - UG)

2024 - 2025 – Admission Onwards

Time: 3 Hours

Max Marks: 70

Section A

(Answer any 8, each carries 1 mark)

(8x1=8)

1. Which Article of the Indian Constitution guarantees equality before the law?
2. The International Labour Organisation (ILO) was established in:
3. The Factories Act, 1948 primarily deals with:
4. Which legislation deals specifically with the regulation of payment of wages and deductions from wages?
5. Retrenchment generally refers to:
6. The Trade Unions (Amendments) Act referred to in the syllabus was enacted in:
7. The Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act was enacted in:
8. A labour law audit is primarily concerned with:
9. Which Code deals primarily with minimum wages, payment of wages and bonus?
10. The Occupational Safety, Health and Working Conditions Code, 2020 primarily concerns:



Section B

(Answer any 6, each carries 2 marks)

(6x2=12)

11. What is meant by Fundamental Rights in the Indian Constitution?
12. What is the purpose of the POSH Act, 2013?
13. What is meant by equal remuneration?
14. What is meant by downsizing?
15. What is meant by labour law compliance?
16. What is a labour law audit?
17. What is the Code on Wages, 2019?
18. What is the purpose of the Code on Social Security, 2020?

Section C

(Answer any 6, each carries 5 marks)

(6x5=30)

19. Explain the relationship between Fundamental Rights and labour laws in India.
20. Explain the significance of Article 16 in public employment and reservation policies.
21. Explain the major provisions relating to health, safety and welfare of workers under the Factories Act, 1948.
22. Discuss the significance of the Payment of Bonus Act, 1965 and Equal Remuneration Act, 1976 in protecting employees' wage interests.
23. Explain the meaning and causes of industrial disputes under the Industrial Disputes Act, 1947.
24. Explain the objectives and functions of trade unions under the Trade Unions Act, 1926.
25. Explain the major objectives of the Labour Laws (Simplification of Procedure for Furnishing Returns and Maintaining Registers by Certain Establishments) Act, 1988.
26. Explain the major provisions of the Industrial Relations Code, 2020 relating to trade unions, industrial disputes and employment relations.



Section D

(Answer any 2, each carries 10 marks)

(2x10=20)

27. Explain the relationship between Fundamental Rights and labour laws in India. Discuss the relevance of Articles 14, 16, 19 and 21 in protecting the rights and interests of workers.
28. Analyse the role of the POSH Act, 2013 and the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 in protecting vulnerable groups in the workplace. Explain the major provisions and their importance.
29. Discuss the significance of the Industrial Disputes Act, 1947, Industrial Disputes (Central) Rules, 1957 and Industrial Employment (Standing Orders) Act, 1946 in maintaining industrial discipline and regulating employment relations.

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Model Question Paper (SET- 2)

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MINOR DISCIPLINE COURSES

SGB24LW201MI – INDUSTRIAL AND LABOUR LAWS

(CBCS - UG)

2024 - 2025 – Admission Onwards

Time: 3 Hours

Max Marks: 70

Section A

(Answer any 8, each carries 1 mark)

(8x1=8)

1. The principle of equal pay for equal work is primarily associated with:
2. Which Article of the Constitution prohibits trafficking in human beings and forced labour?
3. The Building and Other Construction Workers Act was enacted in:
4. Which legislation provides social insurance benefits including medical benefits to eligible employees?
5. The Industrial Disputes (Central) Rules were framed in:
6. Collective bargaining refers to:
7. Labour registers are primarily maintained to:
8. Which of the following is an important source of evidence during a labour law audit?
9. The Industrial Relations Code, 2020 primarily deals with:
10. Which Labour Code specifically provides a framework for social security coverage, including provisions relating to unorganised, gig and platform workers?



Section B

(Answer any 6, each carries 2 marks)

(6x2=12)

11. What is meant by decent work?
12. What is Employees' State Insurance (ESI)?
13. What is meant by child labour?
14. What are Standing Orders?
15. What is a trade union?
16. What is a statutory register?
17. State one objective of the 1988 Simplification of Procedure Act.
18. What is meant by the Industrial Relations Code, 2020?

Section C

(Answer any 6, each carries 5 marks)

(6x5=30)

19. Explain the aims and objectives of the International Labour Organisation (ILO).
20. Discuss the significance of Articles 23 and 24 in protecting workers from exploitation.
21. Explain the objectives and important provisions of the Contract Labour (Regulation and Abolition) Act, 1970.
22. Explain the objectives and major benefits provided under the Employees' State Insurance Act, 1948 and Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
23. Distinguish between lay-off, retrenchment, downsizing and termination of employment.
24. Discuss the important provisions and significance of the Trade Unions (Amendments) Act, 2001.
25. Explain the major steps involved in conducting an industrial and labour laws audit.
26. Explain the major provisions of the Occupational Safety, Health and Working Conditions Code, 2020 relating to workplace safety, health, welfare and working conditions.

Section D

(Answer any 2, each carries 10 marks)

(2x10=20)

27. Explain the aims and objectives of the International Labour Organisation. Discuss its role in setting labour standards, developing labour policies and promoting decent work.
28. Examine the importance of social security legislation in India. Discuss the major provisions of the Employees' Compensation Act, 1923, Employees' State Insurance Act, 1948, Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and Payment of Gratuity Act, 1972.
29. Describe the process of conducting an Industrial and Labour Laws Audit. Explain the major stages involved in identifying applicable laws, examining registers and records, verifying statutory returns and identifying instances of non-compliance.



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