

Labour Legislation and Administration

COURSE CODE: M23PA03DE

Postgraduate Programme in Public Administration

Discipline Specific Elective Course

Self Learning Material



SREENARAYANAGURU
OPEN UNIVERSITY

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

SREENARAYANAGURU OPEN UNIVERSITY

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Mission

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Pathway

Access and Quality define Equity.

Labour Legislation and Administration

Course Code: M23PA03DE

Semester - III

Discipline Specific Elective Course
Postgraduate Programme in Public Administration
Self Learning Material
(With Model Question Paper Sets)



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LABOUR LEGISLATION AND ADMINISTRATION

Course Code: M23PA03DE

Semester- III

Discipline Specific Elective Course
Postgraduate Programme in Public Administration

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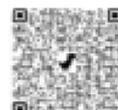
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MESSAGE FROM VICE CHANCELLOR

Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed "blended format," a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The University aims to offer you an engaging and thought-provoking educational journey. The MA programme in Public Administration provides an in-depth understanding of modern governance challenges and solutions. It integrates cutting-edge theory with real-world applications, emphasizing innovative approaches to public service delivery. The curriculum spans strategic planning, policy analysis, public sector economics, and governance-related spheres. Through these, learners cultivate advanced problem-solving and decision-making skills. This programme also equips future leaders to drive positive change in public institutions, NGOs, and international bodies. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university's student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.



Regards,
Dr. Jagathy Raj V.P.

01-07-2025

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BLOCK 1
**Introduction to Labour Legislation
and Administration**

UNIT 1

Historical Evolution of Labour Laws in India

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ explain the historical context and evolution of labour laws in India from the colonial period to post-independence reforms
- ▶ analyse the impact of major socio-political movements and global influences, such as the ILO, on India's labour legislation
- ▶ discuss key constitutional provisions, landmark legislation, and judicial pronouncements that have shaped labour rights in India
- ▶ evaluate the objectives and implications of the recent codification and reforms of labour laws into comprehensive labour codes

Background

The evolution of labour laws in India reflects the nation's transformation from a colonial economy to a sovereign democracy committed to social justice. Early labour legislation under British rule prioritised economic interests over worker welfare. However, growing industrialisation, global labour movements, and the rise of Indian nationalism led to an increased focus on protecting workers' rights. After independence, the Constitution of India enshrined principles of justice, equality, and dignity, providing a strong foundation for labour reforms. Over time, numerous laws were enacted to regulate employment conditions, ensure fair wages, and promote social security. Landmark judicial pronouncements further advanced workers' rights. Recent codification efforts aim to simplify and modernise the labour law framework, striving to balance economic growth with the protection and dignity of the workforce.

Keywords

Labour Legislation, Industrial Relations, Social Security, Labour Law Reforms

Discussion

1.1.1 Basics of Labour Force

The labour force refers to the economically active population — that is, those who supply or seek to supply labour for production. It includes both employed and unemployed individuals. In India, labour force estimates are obtained through different methods: considering only the usual principal activity, both principal and subsidiary activities, current weekly status, and current daily status. Although India's labour force is growing at 2.5% annually, employment is increasing at a slightly lower rate of 2.3%, creating a significant challenge of absorbing new entrants, estimated at about seven million people every year, alongside addressing existing unemployment. A major characteristic of India's labour market is that around 60% of the workforce is self-employed, 30% are casual workers (who work only when jobs are available), and just 10% are regular employees, with a large fraction employed in the public sector. Furthermore, more than 90% of workers are engaged in the unorganised sector, where minimum wage laws are poorly implemented and social security benefits are mostly absent.

► Labour force

The changing age composition of India's population has also influenced the workforce. While the proportion of young people below 14 years is declining, the share of the elderly is increasing, with 7.5% of the population aged 60 or above as per the 2001 Census. Additionally, there has been a noticeable shift away from agriculture: between 1991 and 2011, nearly 14.9 million main workers left farming. Although more workers are now engaged in non-agricultural sectors, agriculture still employs more than half of the workforce, with a sharp decline in self-cultivators and a rise in agricultural labourers. Despite India's rapid demographic changes and increasing numbers of young workers entering the labour force, creating sufficient quality employment remains a significant policy challenge.

► Changing age composition



► Informal employment

In terms of occupational and economic classification, informal employment is a critical concern. According to the International Labour Organization (ILO), workers are considered informally employed if they lack legal protections related to labour legislation, income taxation, and social benefits such as maternity leave, pension, and job security. Informal employment includes own-account workers, contributing family workers, casual workers, and even some salaried employees who do not enjoy employment or social security benefits. In India, a significant number of workers, even within the organised sector, have informal jobs. Out of approximately 56.45 million employees in the organised sector, about 25.79 million are informal workers. Meanwhile, among 340.31 million workers in the informal sector, 4.02 million have formal employment relationships.

Thus, India's labour market is heavily dominated by informal employment, with precarious working conditions, lack of legal protections, and absence of social security remaining persistent challenges. Addressing these issues is crucial, especially given the ongoing demographic shift towards a younger, more dynamic workforce.

1.1.2 Purpose of Labour Legislation

Labour legislation that is adapted to the economic and social challenges of the modern world of work fulfils three crucial roles:

1. It establishes a legal system that facilitates productive individual and collective employment relationships, and therefore a productive economy.
2. By providing a framework within which employers, workers, and their representatives can interact with regard to work-related issues, it serves as an important vehicle for achieving harmonious industrial relations based on workplace democracy.
3. It provides a clear and constant reminder and guarantee of fundamental principles and rights at work which have received broad social acceptance and establishes the processes through which these principles and rights can be implemented and enforced.

But experience shows that labour legislation can only fulfil these functions effectively if it is responsive to the conditions in the labour market and the needs of the parties involved. The

► Involvement of stakeholders

most efficient way of ensuring that these conditions and needs are taken fully into account is if those concerned are closely involved in the formulation of the legislation through processes of social dialogue. The involvement of stakeholders in this way is of great importance in developing a broad basis of support for labour legislation and in facilitating its application within and beyond the formally structured sectors of the economy.

► Balancing the needs

1.1.3 Evolution of Labour Laws in India

The evolution of labour laws in India reflects the country's social, political, and economic changes. Initially developed under colonial rule, labour laws were primarily designed to serve British economic interests. Over time, however, these laws evolved to protect workers' rights, regulate industrial relations, and promote social justice. Today, Indian labour laws aim to balance the needs of industries with the rights and welfare of workers, though challenges still persist.

1.1.3.1 Early Phase: Colonial Influence and the Beginning of Labour Laws

Labour laws in India first emerged during British colonial rule, largely intended to ensure a cheap and steady supply of labour to British enterprises. The earliest legislation, like the Workmen's Breach of Contract Act, 1859, penalised workers who broke employment contracts, showing little concern for worker welfare. During this time, labourers moving from rural to urban areas faced poor working conditions, with no real concept of master-servant relationships or organised labour rights.

► Factories Act of 1881

A significant milestone in India's labour history was the introduction of the Factories Act of 1881, the first major factory legislation in the country. Enacted during the British colonial period, the Act primarily focused on regulating the working conditions of children, particularly those between the ages of 7 and 12. It prohibited the employment of children under 7 years of age and limited the working hours for older children. While some historians view the Act as a genuine, though limited, attempt at labour welfare, others argue that it was motivated by economic interests, aiming to increase production costs in Indian industries and thus protect British manufacturers—a view that remains debated. The 1881 Act did not introduce major protections for adult workers or provisions like an eight-



hour workday, overtime pay, or the abolition of child labour— reforms that would only emerge in later legislation, such as the Factories Act of 1891 and further developments in the 20th century under international influences like the ILO.

1.1.3.2 Labour Movements and Legislative Developments: Post-World War I

After World War I, the labour movement gained momentum in India, influenced by rising nationalist sentiments and global events like the Bolshevik Revolution. The establishment of the All-India Trade Union Congress (AITUC) in 1920 marked a key moment, as trade unions began to organise and demand better conditions. India's participation in the International Labour Organization (ILO) also helped align national policies with international labour standards.

Several important legislations were enacted during this period -

► Treaty of Versailles

- Factories Act, 1922 and Mines Act, 1923: Further regulated industrial working conditions.
- Workmen's Compensation Act, 1923: Provided compensation for injuries sustained at work.
- Trade Union Act, 1926: Legalised the formation of trade unions and gave them limited immunity from civil and criminal liability.

Trade Disputes Act, 1929: Attempted to control strikes and lockouts but did not establish an effective dispute resolution system.

The ILO's establishment after the Treaty of Versailles inspired several countries, including India, to treat labour welfare as a major policy priority. International trends strongly influenced India's labour policy during the 1920s and 1930s.

1.1.3.3 Labour Rights During Economic Depression and World War II

The 1930s were marked by economic depression and growing demands for Indian independence. Mass dismissals of workers and frequent strikes became common. The situation worsened during World War II, as labour shortages and economic hardships intensified. To manage growing industrial unrest, the Bombay Industrial Disputes Act of 1938 marked an

► Early developments

early step toward state intervention in labour relations. While it introduced conciliation and arbitration mechanisms, its broader aim was to discourage strikes and lockouts. Although it provided the Bombay government with the authority to intervene in disputes, the notion of compulsory arbitration was still evolving and became more pronounced and contested in later legislation, particularly under the Industrial Disputes Act of 1947. Similarly, the Central Government Essential Services Act, 1941, was enacted to maintain essential services during wartime emergencies.

1.1.3.4 Labour Laws Post-Independence: Strengthening Workers' Rights

After India gained independence in 1947, labour welfare became a central concern of government policy. Labour rights were explicitly recognised in the Indian Constitution, and several protective legislations were introduced -

► Post-independence developments

- Industrial Disputes Act, 1947: Provided mechanisms for resolving industrial disputes but applied only to 'workmen' in industries.
- Factories Act, 1948: Strengthened provisions regarding working hours, safety, health, and welfare.
- Minimum Wages Act, 1948: Set minimum wage standards for certain industries.
- Dock Workers (Regulation of Employment) Act, 1948: Regulated dock labour employment.
- Plantation Labour Act, 1951: Regulated working conditions in plantations like tea and rubber industries.
- Employees' Provident Funds Act, 1952: Introduced a retirement savings scheme for workers.

These laws aimed at ensuring basic rights, fair wages, better working conditions, and welfare provisions, especially for workers in industrial sectors.

Labour Rights in the Indian Constitution

The people of India resolved, on January 26, 1950, to constitute India into a sovereign democratic republic and secure to all its citizens -

- JUSTICE, social, economic and political;
- LIBERTY of thought, expression, belief, faith and worship;
- EQUALITY of status and opportunity; and to promote



among them all

- FRATERNITY assuring the dignity of the individual and the unity

They framed a Constitution which seeks to provide a framework for the achievement of these objectives. The Preamble of the Indian Constitution is amplified and elaborated upon in both Part III (Fundamental Rights) and Part IV (Directive Principles of State Policy). While the Directive Principles provide a framework for achieving the socio-economic goals outlined in the Preamble, the Fundamental Rights play an equally—if not more—crucial role in securing the principles of justice, liberty, equality, and fraternity through enforceable legal provisions. Together, these Parts give substantive meaning to the ideals expressed in the Preamble. The State has been directed to promote the welfare of the people by securing and protecting as effectively as may, a social order in which justice, social, economic and political, shall inform all institutions of the national life. Further, the State has been directed to strive to secure, inter alia,

- an adequate means of livelihood,
- the proper distribution of ownership and control of the material resources of the community so that it may best subserve the common need,
- the prevention of the concentration of wealth and means of production,
- equal pay for equal work to men and women,
- the health and strength of workers,
- the right to work,
- the right to education and to public assistance in cases of undeserved want, just and humane conditions of work and for maternity relief,
- a living wage and decent standard of life to labourers,
- a higher level of nutrition and standard of living and improved public health.

► Constitution and labour rights

The Directive Principles spell out the socio-economic objectives of the national policy to be realised by labour legislation as well as by other legislations. These are directives

to the legislature, executive and the judiciary, which are committed to making, interpreting and enforcing law.

Landmark Judgements Shaping Labour Law

Over the years, Indian courts have played a vital role in strengthening labour rights.

► Courts and labour rights

- **Randhir Singh v. Union of India:** The Supreme Court recognised "Equal Pay for Equal Work" as a constitutional goal, enforceable under Articles 14 and 16.
- **Dhirendra Chamoli v. State of Uttar Pradesh:** Extended the "equal pay" principle to casual workers.
- **Steel Authority of India Ltd v. National Union Waterfront Workers:** Clarified the concept of the "appropriate government" under the Contract Labour (Regulation and Abolition) Act, 1970, establishing that for central enterprises, the Central Government is the appropriate authority.

These rulings reinforced the commitment to fairness, equality, and dignity in the workplace.

1.1.3.5 Codification of Labour Laws: Towards Simplification and Reform

As part of the ongoing evolution of labour laws in India, the government undertook a major reform initiative by consolidating numerous complex and fragmented labour legislations into four comprehensive labour codes. These are The Code on Wages, 2019, the Industrial Relations Code, 2020, the Social Security Code, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020. The aim behind this codification was to simplify, modernise, and streamline India's labour laws to suit the needs of a rapidly changing economy while ensuring better protection for workers. These codes replaced over 25 separate laws, many of which were outdated and difficult to implement effectively. The Industrial Relations Code addresses issues related to trade unions, employment conditions, and mechanisms for resolving industrial disputes. The Social Security Code merges laws relating to social welfare benefits like provident fund, insurance, and maternity benefits. The Occupational Safety, Health and Working Conditions Code focuses on health, safety, and working conditions across industries. While these reforms were intended to promote ease of doing business and bring more workers under formal protection, they have also drawn

► Comprehensive labour codes



criticism for potentially reducing workers' bargaining power and diluting certain labour rights. Nonetheless, the formulation of these labour codes marks a significant milestone in the historical journey of labour law development in India, reflecting an attempt to balance economic growth with social justice.

► From exploitation to rights

The evolution of labour laws in India shows a gradual shift from colonial exploitation to the promotion of workers' rights and welfare. While significant progress has been made in embedding labour protections into law and the Constitution, many challenges remain, especially regarding enforcement and coverage for informal sector workers. With new reforms reshaping the legal landscape, it is important for India to continue striving for a fair balance between economic growth and the dignity, rights, and welfare of its workforce.

1.1.4 Concepts related to Labour

Social Security

► Protection against risks

Social security refers to the protection provided to workers against economic risks such as unemployment, sickness, disability, old age, and maternity. It ensures that individuals have access to financial support and health benefits during times when they are unable to work or earn a stable income. In India, various laws like the Employees' Provident Fund Act and the Employees' State Insurance Act were enacted to provide a framework for social security, aiming to reduce vulnerability and promote dignity for workers.

Decent Work

► Productive work and freedom

Decent work is a concept developed by the International Labour Organization (ILO) that emphasises the right of every worker to have productive work in conditions of freedom, equity, security, and human dignity. It not only focuses on adequate income but also on workplace safety, social protection, opportunities for personal development, and the right to express concerns through unions. Decent work is central to achieving inclusive growth and social justice, especially in developing economies like India.

Living Wage

A living wage refers to the minimum income necessary for a worker and their family to meet basic needs such as

▶ Minimum necessary income

food, housing, education, and healthcare. It goes beyond the statutory minimum wage, aiming to provide a level of income that supports a decent standard of living. The idea is to ensure that full-time workers are not trapped in poverty despite being employed, thus promoting greater economic fairness and human dignity in the labour market.

Occupational Safety

▶ Safe and healthy working conditions

Occupational safety deals with the practices, regulations, and policies that aim to ensure a safe and healthy working environment for employees. It involves preventing workplace injuries, accidents, and illnesses by identifying and managing risks. In India, laws like the Factories Act, 1948, and the Occupational Safety, Health and Working Conditions Code, 2020, emphasise the importance of safety standards, especially in industries involving physical labour, hazardous substances, and heavy machinery.

Collective Bargaining

▶ Balancing power

Collective bargaining is the process through which workers, usually represented by trade unions, negotiate with employers over issues such as wages, working conditions, benefits, and grievance procedures. It is a key tool for balancing the power between employers and employees, helping to prevent exploitation and workplace conflict. The right to collective bargaining is recognised as a fundamental labour right by international conventions and has been incorporated into Indian labour law through acts like the Industrial Disputes Act, 1947.

Industrial Relations

▶ Crucial for peace

Industrial relations refer to the relationship between employers, employees, and the government regarding workplace issues such as employment terms, rights, conflict resolution, and regulations. Good industrial relations are crucial for maintaining industrial peace, productivity, and economic development. In India, the Industrial Relations Code, 2020, aims to regulate trade unions, employment conditions, and mechanisms for dispute resolution, reflecting the importance of harmonious workplace relations in the modern economy.

Summarized Overview

The historical development of labour laws in India mirrors the country's broader socio-economic transformation. Initially framed during British colonial rule to serve imperial economic interests, early labour laws offered little protection to workers. However, with the rise of industrialisation, the influence of global labour movements, and India's growing nationalist struggle, demands for worker rights gained momentum. After independence, the Indian Constitution provided a strong foundation for labour welfare by emphasising justice, equality, and human dignity. Over the decades, a series of legislations strengthened worker protections, while landmark court judgments expanded constitutional labour rights. In recent years, the government has consolidated numerous fragmented laws into comprehensive labour codes, aiming to simplify regulations and extend protections in a rapidly changing economy. Despite progress, ensuring fair and inclusive labour practices remains an ongoing challenge.

Self-Assessment

1. Describe the historical evolution of labour laws in India during the colonial period.
2. How did India's independence influence the development of labour legislation?
3. What role has the Constitution of India played in shaping labour rights and protections?
4. Explain the significance and objectives of the recent codification of labour laws in India.

Assignments

1. How did colonial labour policies contribute to the early structure of Indian labour legislation?
2. Explain the significance of ILO conventions in shaping post-independence labour laws in India.
3. In what ways did landmark judicial rulings influence the transformation of labour rights?

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Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.



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UNIT 2

Constitutional Framework and Labour Rights

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the constitutional foundation for labour laws and rights in India
- ▶ explain the significance of Fundamental Rights and Directive Principles in labour welfare
- ▶ analyse the constitutional mandates for social and economic justice through labour legislation
- ▶ evaluate the role of the judiciary and Public Interest Litigations (PILs) in upholding labour rights

Background

The Indian Constitution lays the groundwork for a just, equitable, and inclusive society, and this is reflected deeply in its treatment of labour rights. Labour occupies a vital position in the Constitution, with key protections enshrined in Fundamental Rights and moral guidance offered through the Directive Principles of State Policy. These provisions not only protect workers from exploitation but also promote social justice, fair wages, and humane working conditions. Over time, laws such as the Industrial Disputes Act, Minimum Wages Act, and Factories Act have translated these constitutional ideals into tangible protections. Simultaneously, the judiciary has expanded the reach of labour rights through progressive interpretations and Public Interest Litigations (PILs), thereby transforming constitutional promises into enforceable realities for India's working class.

Keywords

Constitution, Labour Rights, Fundamental Rights, Social Justice



1.2.1 Introduction

The Constitution is the supreme law of the land, forming the foundation upon which all other laws and institutions are built. It defines the structure, powers, and duties of various organs of the government and establishes the rights and responsibilities of citizens. Every government function, whether legislative, executive, or judicial, must operate within the framework laid down by the Constitution. No authority or institution exists outside or above it. Thus, the Constitution acts as both the guiding framework and the ultimate source of legitimacy for all actions of the State. It serves not only as a political document but also as a blueprint for the nation's social and economic development.

► Fundamental law

The primary nature of the Constitution lies in its role as a fundamental legal framework that governs the relationship between the State and its citizens. It embodies the ideals, values, and aspirations of the people. Beyond organising the government structure, the Constitution ensures that the basic rights of individuals are protected, and it promotes justice — social, economic, and political — throughout the nation. In doing so, it becomes a dynamic instrument for national progress and a means for achieving social transformation. It outlines the procedures for the exercise of power while simultaneously limiting that power to safeguard individual freedoms and societal welfare.

1.2.2 Constitutional Relevance to Labour Laws

Labour and industrial relations have a deep-rooted connection with the Indian Constitution. Recognising the dignity of labour and the necessity to protect workers' rights, the Constitution enshrines multiple provisions to support labour welfare. Fundamental Rights, particularly Articles 14, 16, 19, 21, 23, and 24, safeguard workers against exploitation, ensure equality of opportunity, and guarantee the freedom to form associations and unions. Additionally, the Directive Principles of State Policy (Articles 38, 39, 41, 42, 43, and 43A) guide the State to create conditions for just and humane work environments, promote social security, provide for a living wage, and encourage workers' participation in management.

▶ just and humane work environments

Labour is placed in the Concurrent List of the Constitution, meaning both the Central and State Governments are empowered to legislate on labour matters. Over the years, numerous laws — such as the Industrial Disputes Act, Minimum Wages Act, and Factories Act — have been enacted under this framework, translating constitutional ideals into legal guarantees. The Constitution thus acts as the moral and legal bedrock for India's extensive system of labour protections.

▶ Providing a framework

1.2.3 Constitutional Bearing on Industrial Laws

The Constitution of India deeply influences the framework of industrial laws and industrial relations. Industrial relations, which encompass the relationship between employers, employees, and the State, are critical not only for the welfare of labour but also for achieving broader social and economic objectives. Recognising the importance of harmonious industrial relations, the Constitution provides the State with the authority and responsibility to regulate these relationships to ensure fairness, justice, and stability. In developing economies like India, where labour surplus and social disparities are prominent, State intervention in industrial matters becomes necessary to protect workers' interests, maintain industrial peace, and promote economic development.

▶ Concurrent list

Labour is listed in the Concurrent List of the Constitution, which empowers both the Centre and the States to enact laws related to labour and industrial matters. While key legislations like the Industrial Disputes Act, Minimum Wages Act, and Employees' State Insurance Act originate from the Central Government, States have the flexibility to adapt these laws to suit their specific needs, often through amendments or through delegated rule-making powers. This arrangement ensures uniformity on broad principles while allowing local adjustments based on regional variations.

▶ Just and equitable society

The influence of Fundamental Rights and Directive Principles of State Policy is deeply embedded in India's labour laws. Fundamental Rights such as equality before the law (Article 14), prohibition of forced labour (Article 23), freedom to form associations (Article 19), and the right to life and livelihood (Article 21) safeguard the basic dignity and rights of workers. At the same time, Directive Principles like securing the right to work, ensuring just and humane conditions of labour, promoting living wages, and enabling workers' participation

in management (Articles 38, 39, 41, 42, 43, and 43A) provide a moral and constitutional direction for the State to actively legislate and implement measures aimed at creating a just and equitable industrial society. Together, the Fundamental Rights and Directive Principles form the ethical and legal foundation for India's extensive labour and industrial laws.

1.2.4 Social Justice and Industrial Laws

The Indian Constitution places a strong emphasis on achieving social justice, particularly through its Preamble and the Directive Principles of State Policy. Social and economic justice are recognised as essential for creating an equitable society where opportunities for growth and welfare are accessible to all. Social justice, in this sense, is not about making the rich poor, but about ensuring minimum living standards, opportunities, and dignity for the economically weaker sections. In the industrial context, social and economic justice aim to bridge the gap between employers and employees, promote fair treatment in workplaces, and eliminate exploitation.

► Creating an equitable society

Industrial laws serve as crucial instruments for achieving social justice in India. Legislation like the Factories Act, Minimum Wages Act, Employees' State Insurance Act, and the Payment of Bonus Act are designed to safeguard the rights of workers, ensure just and humane working conditions, regulate wages, and provide social security. These laws operationalise the constitutional vision by securing health, safety, fair pay, and welfare measures for labourers, thereby helping to reduce socio-economic disparities and enabling workers to live lives of dignity. Industrial laws thus play a proactive role in fulfilling the constitutional promise of social and economic justice by balancing the interests of capital and labour.

► Achieving social justice

Judicial interpretations have reinforced the importance of social justice in labour matters. Courts have consistently held that industrial laws must be viewed in the light of the Constitution's aim to create a welfare state. In cases like *State of Mysore v. Workers of Gold Mines and Minerva Mills v. Union of India*, the judiciary emphasised that social justice forms the bedrock of industrial jurisprudence in India. The courts have also evolved the principle that Fundamental Rights and Directive Principles must be read together, using Directive Principles to broaden the understanding of rights like equality and the right to livelihood. Thus, judicial pronouncements have not only protected individual rights but have also expanded the

► Expanded the concept of social and economic justice

concept of social and economic justice in the field of industrial relations.

1.2.5 Constitutional Remedies

The Indian Constitution provides robust mechanisms for the enforcement of Fundamental Rights through Articles 32 and 226. Article 32 confers on individuals the right to directly approach the Supreme Court when their Fundamental Rights are violated. In fact, Article 32 itself is considered a Fundamental Right, ensuring that citizens have an effective means to seek justice against State action or inaction. Alongside, Article 226 empowers the High Courts to issue writs not only for the enforcement of Fundamental Rights but also for the enforcement of any other legal rights. This dual structure guarantees that access to judicial remedies is wide and accessible across the country, reinforcing the supremacy of Fundamental Rights in India's constitutional framework.

► Enforcement of Fundamental Rights

Public Interest Litigation (PIL) has significantly expanded the scope of constitutional remedies, especially in matters relating to labour rights. Traditionally, only the directly aggrieved party could approach the courts. However, through landmark cases like *S.P. Gupta v. Union of India* and *Bandhua Mukti Morcha v. Union of India*, the courts liberalised the concept of locus standi, allowing socially conscious individuals and groups to approach the courts on behalf of those who are poor, marginalised, or otherwise unable to assert their rights. PILs have played a pivotal role in protecting labourers from exploitation, unsafe working conditions, bonded labour, and wage theft. Through judicial intervention under PILs, the courts have actively enforced labour rights enshrined in the Constitution, particularly the rights under Articles 21, 23, and 24, thus ensuring that social and economic justice reaches the most vulnerable sections of society.

► Active enforcement of labour laws

1.2.6 Fundamental Rights and Labour

The Constitution of India guarantees several Fundamental Rights that are directly significant for the protection and advancement of labour. Article 14 lays down the principle of equality before the law and equal protection of the laws, ensuring that both employers and workers are treated fairly without arbitrary discrimination. In the labour context, it demands that laws and policies provide equal rights and protections to all

► Just and equitable society



categories of workers and employers.

Article 16 strengthens this commitment by guaranteeing equality of opportunity in matters of public employment. It prohibits discrimination on grounds such as caste, religion, sex, or place of birth, and mandates that appointments and promotions in public services be based on merit and fairness. This provision has been vital in preventing exclusionary employment practices and promoting inclusive hiring across government departments and public sector undertakings.

Article 19(1)(c) empowers citizens with the freedom to form associations and unions, a right particularly crucial for workers. This freedom forms the constitutional basis for the establishment of trade unions, collective bargaining units, and workers' organisations. While the right can be regulated in the interest of public order and morality, it remains a key safeguard for workers to organise and advocate for their rights.

► Creating humane workplaces

Article 21, which guarantees the right to life and personal liberty, has been interpreted expansively by the judiciary to include the right to live with dignity, the right to livelihood, the right to health, and safe working conditions. Protecting the dignity of labour thus falls squarely within the constitutional mandate of Article 21, making it one of the most powerful tools for securing humane working conditions.

Article 23 prohibits forced labour, trafficking, and begar (compulsory work without payment). This provision protects workers from being exploited through coercive practices and ensures that every person's labour is voluntary and fairly compensated.

Article 24 specifically prohibits the employment of children below the age of fourteen years in hazardous industries, factories, and mines. It seeks to safeguard children from exploitation and ensure they are allowed to enjoy their childhood and pursue education rather than being pushed into early labour.

Collectively, these Fundamental Rights form the constitutional backbone for protecting labour welfare and promoting a just and humane work environment in India.

1.2.7 Labour Laws and Directive Principles of State Policy

The Directive Principles of State Policy in the Indian Constitution provide a broad framework for shaping labour laws and promoting social and economic welfare. Article 38 obligates the State to promote the welfare of the people by securing a social order in which justice—social, economic, and political—permeates all national institutions. This vision underpins the legislative efforts to create protective labour laws that ensure fair wages, safe working conditions, and social security for workers.

Article 39 further strengthens this approach by directing the State to ensure that citizens have adequate means of livelihood and that the economic system does not concentrate wealth in a few hands. It also emphasises the principle of equal pay for equal work for both men and women, laying the foundation for laws like the Equal Remuneration Act, 1976, and influencing wage policies across sectors.

Article 41 reinforces the right to work, education, and public assistance in cases of unemployment, old age, sickness, and disability. Though non-justiciable, this provision has inspired numerous social security measures, such as the Employees' State Insurance Act and the Unorganized Workers' Social Security Act, aiming to protect vulnerable sections of society.

► Moral compass for labour legislation

Article 42 calls upon the State to ensure just and humane conditions of work and to provide maternity relief. Legislation like the Factories Act, 1948, and the Maternity Benefit Act, 1961, gives effect to this directive, mandating safety standards, reasonable working hours, and maternity protections.

Article 43 envisions securing for all workers a living wage, a decent standard of life, and access to opportunities for cultural and social development. These ideals drive the formulation of minimum wage laws and labour welfare schemes, seeking not just survival wages but wages that support a dignified existence.

Finally, Article 43A, introduced by the 42nd Amendment, promotes the participation of workers in the management of industries. It reflects the evolving democratic spirit within the workplace, advocating for greater involvement of workers in decision-making processes to enhance cooperation and productivity.



Together, these Directive Principles form the moral compass for labour legislation in India, guiding the State towards building an equitable, just, and welfare-oriented society.

1.2.8 Workers' Participation in Management: Constitutional Mandate under Article 43A

In India, workers' participation in management is enshrined in the Constitution under Article 43A. This provision, added through the 42nd Amendment Act of 1976, mandates the State to take steps to ensure that workers are involved in the management of industries in a meaningful way. Specifically, Article 43A directs the State to promote policies that provide for the participation of workers in the management of industrial establishments, both at the decision-making level and in the formulation of policies that affect their welfare. The aim of this provision is to improve industrial relations, promote productivity, and ensure that the interests of workers are considered in corporate governance. While it serves as a directive principle of state policy, it provides a legal framework for fostering cooperative relationships between employers and employees, enhancing their engagement in the growth and development of industries.

► Participatory decision making

Although the constitutional mandate is clear, the implementation of workers' participation in management has faced several practical challenges. In terms of frameworks, the Indian government has introduced various measures, such as the Industrial Disputes Act, 1947, and the Factories Act, 1948, which provide guidelines for the establishment of worker committees and joint management councils. These platforms offer workers a voice in the decision-making processes concerning matters like work conditions, wages, and safety protocols. Additionally, some enterprises, especially in the public sector, have adopted worker participation schemes where representatives of labour unions sit on management boards or committees. The Model Standing Orders under the Industrial Employment (Standing Orders) Act, 1946, have also been used to incorporate worker consultation in certain aspects of management.

► Challenges in participation

However, the challenges to workers' participation in management are significant. A major issue is the reluctance of employers to share control over decision-making, fearing it might reduce their authority or lead to increased costs. In many cases, employers view these schemes as a formality rather

► Differing priorities

than a genuine attempt at collaboration. Another challenge lies in the lack of trust between workers and management, often due to historical exploitation and adversarial labour relations. Furthermore, there is a low level of awareness and preparedness among workers regarding their rights and roles in management, which diminishes their effectiveness in participation. The differing priorities of management and workers—such as profit maximisation versus labour welfare—can also lead to friction and limit the impact of such participation frameworks. As a result, while constitutional provisions and frameworks exist, the success of workers' participation in management is still hindered by these practical challenges, requiring a more balanced approach between policy, implementation, and cultural change within organisations.

1.2.9 Role of Labour Laws in Achieving Economic Justice: A Constitutional Perspective

Labour laws in India play a crucial role in achieving economic justice, ensuring that workers' rights are protected and that they are treated with dignity and fairness in the workplace. These laws are deeply connected to the Indian Constitution, particularly in the context of social justice and equitable economic development. The Constitution of India envisions a just and fair society, and labour laws are an important tool for translating these constitutional principles into practice. Key provisions in the Constitution, particularly the Directive Principles of State Policy (DPSP) and Fundamental Rights, provide the foundation for these laws.

Under Article 38, the Constitution mandates that the State shall secure a social order in which justice, social, economic, and political, shall inform all the institutions of national life. This foundational principle is reflected in the enactment of various labour laws that aim to protect workers from exploitation and ensure fair working conditions. Article 39 of the Constitution further directs that the State should direct its policy towards securing adequate means of livelihood and ensuring that there is equitable distribution of wealth and resources. These provisions are at the heart of economic justice, as they aim to reduce income inequality and ensure that all individuals, particularly workers, have access to fair economic opportunities.

Labour laws such as the Minimum Wages Act, 1948, Factories Act, 1948, and the Employees' Provident Fund Act,



► Just social order

1952, are designed to implement these constitutional directives by guaranteeing fair wages, safe working conditions, and social security benefits. These laws serve as mechanisms through which the State strives to uphold the fundamental right to life and personal liberty under Article 21, which includes the right to a dignified life. Ensuring fair wages and safe working conditions, as well as providing social security, are essential for safeguarding the dignity and well-being of workers. Moreover, the Equal Remuneration Act, 1976, is a key step towards implementing Article 14 (Right to Equality) and Article 16 (Equality of Opportunity in Employment), which prohibit discrimination on the basis of gender, caste, or class in the workplace.

While labour laws are meant to secure economic justice, the Directive Principles also advocate for workers' participation in management under Article 43A, which directs the State to take steps to secure the participation of workers in the management of industries. This provision underscores the importance of worker representation in decision-making processes, aiming for a more inclusive approach to economic justice. However, despite these constitutional and legislative safeguards, challenges such as poor enforcement, informal employment, and lack of awareness about rights continue to undermine the full realisation of economic justice for workers. Nonetheless, the constitutional framework provides a strong foundation for advancing the protection of workers' rights and achieving the goal of economic justice in India.

Summarized Overview

Unit 2 discusses the deep interconnection between the Indian Constitution and labour legislation. It explains how various Fundamental Rights—like Articles 14, 19, 21, 23, and 24—and Directive Principles—such as Articles 38, 39, 41, 42, 43, and 43A—form the legal and ethical basis for safeguarding workers' rights. The Constitution mandates the State to promote humane working conditions, fair wages, and workers' participation in management. Furthermore, judicial mechanisms under Articles 32 and 226 ensure enforcement of these rights. The unit highlights how constitutional principles have been operationalised through legislation and judicial activism to secure economic and social justice for labourers in India.

Self-Assessment

1. Explain how the Indian Constitution provides a framework for labour legislation.
2. Discuss the role of Fundamental Rights in protecting labour welfare.
3. Describe the importance of Directive Principles of State Policy in shaping labour laws.
4. Examine the impact of judicial interpretation and PILs on the enforcement of labour rights.

Assignments

1. How do informal labour practices challenge the implementation of formal labour laws in India?
2. Discuss the impact of labour legislation on productivity and industrial harmony.
3. In what ways does tripartite social dialogue strengthen the labour law framework?

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UNIT 3

International Labour Standards and India

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the meaning, purpose, and scope of International Labour Standards (ILS)
- ▶ identify the role and structure of the International Labour Organization (ILO)
- ▶ examine India's engagement with ILO Conventions and Recommendations
- ▶ analyse the alignment of India's labour reforms with global labour standards

Background

The globalisation of economies has increased the relevance of International Labour Standards (ILS), which serve as a universal guide to ensure fair, safe, and equitable working conditions across nations. Formulated by the International Labour Organization (ILO), these standards shape labour policy, encourage decent work, and safeguard workers' rights globally. India, a founding member of the ILO, has selectively ratified several conventions and progressively aligned its labour laws—like the Code on Wages and Social Security Code—with international norms. Through its tripartite structure involving governments, employers, and workers, the ILO promotes dialogue, social justice, and sustainable development, making its role critical in advancing labour rights within national and global contexts.

Keywords

ILO, Labour Standards, Decent Work, Globalisation



1.3.1 Meaning and Significance of International Labour Standards (ILS)

International Labour Standards (ILS) are legal instruments—Conventions and Recommendations—formulated by the International Labour Organization (ILO) to set minimum benchmarks for working conditions and labour rights across the globe. These standards aim to promote fairness, dignity, and equality in the workplace. They address a wide range of issues, including working hours, wages, occupational safety, freedom of association, and social security.

▶ Ancient roots of administration

The significance of ILS lies in their role as tools to shape national labour policies, ensure decent working conditions, and protect the rights of both employers and workers. By setting internationally agreed rules, ILS serve as a global reference point for labour legislation and practices, particularly in developing nations. They also create a level playing field for international trade, reducing the risk of a "race to the bottom" in labour conditions.

1.3.2 Objectives of Labour Standards in a Globalised World

The objectives of ILS have evolved with the dynamics of globalisation and economic integration. The ILO's foundational premise is that "universal and lasting peace can be established only if it is based upon social justice." This principle reflects the belief that poor working conditions and social inequality can lead to unrest and conflict, hindering global peace and economic stability.

In today's interconnected world, the major objectives of ILS include:

▶ Securing working environments

- Promoting decent and productive employment for all, irrespective of gender or background;
- Protecting fundamental rights at work, including the elimination of forced labour and child labour;
- Ensuring fair wages and safe working conditions;
- Enhancing social protection for workers;
- Strengthening social dialogue among governments, employers, and workers.

These goals are aligned with the Decent Work Agenda of the ILO and are embedded within the United Nations' 2030 Sustainable Development Goals (SDGs). Key SDGs like Goal 8 (“Decent Work and Economic Growth”) explicitly acknowledge the need for labour rights and secure working environments.

Need for Harmonisation of Labour Rights

In a global economy, disparities in labour laws and enforcement mechanisms can lead to exploitation, social dumping, and economic inequalities. Harmonisation of labour rights through ILS helps to:

- Prevent unfair competition based on lower labour standards.
- Promote responsible global supply chains.
- Ensure that growth and globalisation do not come at the cost of worker welfare.

The ILO emphasises that the failure of one nation to adopt humane labour conditions can obstruct other nations' progress, as competitive pressures might drive others to lower their standards. Thus, harmonised labour standards are essential to prevent such negative externalities and to ensure fair globalisation.

The ILS system provides the framework for this harmonisation while still allowing national governments the flexibility to adapt standards according to their social, economic, and cultural contexts.

1.3.3 Role of the International Labour Organization (ILO)

1.3.3.1 Historical Background of ILO

The International Labour Organization (ILO) was established in 1919 under the Treaty of Versailles, following the First World War. Its creation was rooted in the growing recognition that peace and social stability could only be achieved through social justice and fair working conditions. The founding philosophy of the ILO is succinctly stated in its Constitution: “universal and lasting peace can be established only if it is based upon social justice.”

► All stakeholders work together

The ILO is unique among international organisations because of its tripartite structure, which includes representatives from governments, employers, and workers. This structure ensures that all three key stakeholders in the world of work have an



equal voice in decision-making processes, thereby promoting dialogue, cooperation, and consensus in labour policy formulation.

Headquartered in Geneva, Switzerland, the ILO is the oldest specialised agency of the United Nations and currently has 187 member states. Its main governing bodies include:

The International Labour Conference (ILC) – the “Parliament of Labour”

The International Labour Conference (ILC) is the highest decision-making body of the International Labour Organization and is often referred to as the “parliament of labour.” It meets annually and brings together representatives of governments, employers, and workers from all ILO member states. Each country sends a four-member delegation: two government representatives, one employer representative, and one worker representative. The ILC sets international labour standards, formulates policies, and adopts conventions and recommendations. It also reviews the implementation of these standards in member countries, discusses key social and labour issues, and approves the organisation's budget and work programme.

► Highest decision-making body

The Governing Body – the Executive Council

The Governing Body is the executive arm of the ILO and functions as its policymaking council. It is composed of 56 titular members—28 representing governments, 14 representing employers, and 14 representing workers—along with their deputies. The Governing Body meets three times a year and is responsible for making decisions on ILO policy, setting the agenda for the International Labour Conference, and overseeing the implementation of its decisions. It also appoints the Director-General of the ILO and manages administrative and financial matters. This body ensures continuity and coordination between the annual sessions of the ILC.

► Executive arm

The International Labour Office – the Permanent Secretariat

The International Labour Office is the permanent secretariat and operational headquarters of the ILO, located in Geneva, Switzerland. It is responsible for implementing the decisions taken by the International Labour Conference and the Governing Body. The Office carries out daily administrative functions, conducts research, collects and publishes labour

► Implementing the decisions

statistics, and provides technical assistance to member states. It plays a central role in monitoring compliance with international labour standards and in promoting decent work worldwide. The Office is headed by the Director-General, who is appointed by the Governing Body.

1.3.3.2 Functions of the ILO

The International Labour Organization (ILO), a specialised agency of the United Nations, was established in 1919 with the aim of promoting social justice and internationally recognised labour rights. Through its unique tripartite structure, it brings together governments, employers, and workers to set labour standards, develop policies, and devise programmes that ensure decent work for all. The functions of the ILO are wide-ranging and contribute significantly to the advancement of fair and humane working conditions globally.

Functions of the ILO

- **Formulation of International Labour Standards:** The ILO drafts and adopts Conventions and Recommendations that set international benchmarks for working conditions and labour rights.
- **Supervision and Monitoring of Standards:** It monitors the implementation of these standards in member countries through regular reporting systems and supervisory bodies.
- **Technical Assistance and Capacity Building:** The ILO offers support to member countries in the form of expert advice, training, and development programmes related to employment, labour law, social protection, and workplace safety.

Research and Data Collection: It conducts studies and collects labour-related statistics, providing valuable insights into employment trends, working conditions, and social protection systems.

- **Promotion of Social Dialogue:** The ILO facilitates dialogue between governments, employers, and workers to promote consensus-based solutions on labour and employment issues.
- **Advocacy and Awareness Raising:** It engages in global campaigns and initiatives to promote decent work, gender equality, youth employment, and the elimination of forced and child labour.

► Shaping fair and equitable labour practices

In essence, the ILO plays a crucial role in shaping fair and equitable labour practices across the world. By setting



international standards, providing technical support, and promoting social dialogue, the ILO strives to create a global environment where workers' rights are respected, employment is productive, and social justice is upheld.

1.3.3.3 ILO and the Promotion of Decent Work

The concept of Decent Work lies at the heart of the ILO's mission. It refers to productive work that delivers fair income, workplace security, social protection, and respect for labour rights, with equal opportunities for all.

► Quality of work

The Decent Work Agenda is built on four strategic pillars:

- Employment creation and enterprise development
- Social protection
- Standards and rights at work
- Social dialogue

This agenda seeks not only to enhance the quality of work but also to reduce poverty and foster inclusive development.

1.3.3.4 ILO's Role in the Sustainable Development Goals (SDGs)

The ILO plays a vital role in the United Nations 2030 Agenda for Sustainable Development, particularly in Goal 8: Decent Work and Economic Growth. Elements of the Decent Work Agenda are also reflected in other goals such as:

► Decent work

- Goal 1: No Poverty
- Goal 5: Gender Equality
- Goal 10: Reduced Inequalities

The ILO's technical expertise, tripartite approach, and global presence enable it to help countries align their labour policies with the SDGs. It supports national efforts through Decent Work Country Programmes (DWCPs) that integrate decent work into development strategies.

1.3.4 ILO Conventions and Recommendations Adopted by India

1.3.4.1 Overview of ILO Conventions and Recommendations

The International Labour Organization sets out two types of

► Setting labour standards

labour standards:

- Conventions: These are legally binding international treaties that member countries may choose to ratify. Once ratified, the country is obligated to align its national laws and practices with the Convention.
- Recommendations: These are non-binding guidelines that supplement Conventions or address areas not yet covered by them. While not enforceable, Recommendations serve as important reference points for policy development.

Together, Conventions and Recommendations represent the ILO's approach to achieving fair and decent work standards globally.

1.3.4.2 India's Ratified Conventions

► Selective approach to ratification

India has historically taken a selective approach to ratifying ILO Conventions—ratifying only those that are consistent with its constitutional provisions and domestic legal framework. As of now, India has ratified 49 International Labour Organization (ILO) Conventions, including all eight fundamental conventions, which cover core labour standards such as freedom of association, the right to collective bargaining, forced labour, child labour, equal remuneration, and non-discrimination in employment. A major milestone was reached in 2017 when India ratified Convention No. 87 (Freedom of Association and Protection of the Right to Organise) and Convention No. 98 (Right to Organise and Collective Bargaining), thereby completing the ratification of all fundamental ILO Conventions.

Key Ratified Conventions Include:

- Convention No. 29: Forced Labour Convention (ratified in 1954)
- Convention No. 100: Equal Remuneration for Work of Equal Value (ratified in 1958)
- Convention No. 105: Abolition of Forced Labour (ratified in 2000)
- Convention No. 111: Discrimination (Employment and Occupation) (ratified in 1960)
- Convention No. 138 and 182: Minimum Age and Worst Forms of Child Labour (India ratified both in 2017)

Constitutional and Legal Implications:

India's Constitution guarantees fundamental labour rights such as:



- Right against exploitation (Articles 23 & 24),
- Right to equality (Articles 14–16),
- Directive Principles supporting just and humane conditions of work (e.g., Articles 39, 42, 43).

Legislation such as the Factories Act, Minimum Wages Act, and Bonded Labour System (Abolition) Act reflects India's commitment to ILO standards.

1.3.4.3 Key Recommendations and Their Influence on Indian Labour Policy

While not binding, ILO Recommendations have played a pivotal role in shaping India's labour policy. These Recommendations provide detailed guidance and reflect international consensus on best practices.

► Detailed guidance

Examples include:

- Guidance on occupational safety and health measures,
- Frameworks for employment policy and social security,
- Suggestions for labour inspection systems and vocational training.

Indian policymakers and labour reform committees often refer to these Recommendations while drafting or amending labour laws.

1.3.4.4 India's Legislative and Policy Initiatives in Line with ILS

India has undertaken major reforms in recent years to modernise and consolidate its labour laws in line with international labour standards.

Key Initiatives Include:

- The Code on Wages, 2019: Merges laws on minimum wages, payment of wages, bonus, and equal remuneration.
- The Industrial Relations Code, 2020: Deals with trade unions, industrial disputes, and conditions of employment.
- The Code on Social Security, 2020: Integrates provisions on maternity, provident fund, insurance, and pensions.
- The Occupational Safety, Health and Working Conditions Code, 2020: Combines multiple laws on safety, health, and working conditions.

These reforms aim to simplify compliance, ensure better protection of workers, and align India's labour regime more closely with the Decent Work Agenda of the ILO.

1.3.5 Comparative Analysis: India and Global Labour Standards

Many countries—particularly in Europe and North America—have developed robust labour standards that serve as benchmarks for others. These global best practices are typically characterised by:

European Union (EU):

- Strong enforcement of collective bargaining rights and unionisation.
- Comprehensive social protection systems including universal healthcare, unemployment benefits, and paid parental leave.
- Adoption of the ILO's core conventions, with domestic laws that go beyond minimum standards.

United States:

- While the U.S. has not ratified all ILO core conventions (notably on freedom of association), it has strong regulatory institutions like OSHA (Occupational Safety and Health Administration) and the Department of Labor that enforce worker protection.
- Minimum wage laws and anti-discrimination frameworks are actively enforced.

Nordic Countries (e.g., Sweden, Norway):

- These countries maintain a high level of labour market regulation and social dialogue.
- Labour laws are deeply integrated with social welfare policies and high union density ensures active representation.

ILO Reports on India:

The ILO has periodically published reviews on India's progress in labour rights, especially in areas like:

- Child labour elimination (positive momentum since India ratified Conventions 138 and 182 in 2017).
- Gender equality and pay parity: India ratified Convention No. 100 (Equal Remuneration), but implementation remains uneven.



Indicator	India	EU	US
Ratified Core ILO Conventions	6/8	8/8	2/8
Unionisation Rate	~6%	~50–70% (Nordic)	~10%
Informal Employment	~90%	<10%	~20%
Minimum Wage Enforcement	Weak	Strong	Moderate
Social Security Coverage	Limited to formal sector	Universal	Partial

Summarized Overview

This unit explores the concept and significance of International Labour Standards (ILS), emphasising their role in promoting fairness and social justice in the workplace. It delves into the objectives of ILS in the context of globalisation and the need for harmonisation to prevent labour exploitation. The unit outlines the historical evolution, structure, and functions of the International Labour Organization (ILO) and its Decent Work Agenda, closely linked with the United Nations Sustainable Development Goals (SDGs). It also reviews India's ratification of key ILO conventions and the impact of recommendations on national labour reforms, culminating in recent legislative measures like the four labour codes aimed at aligning India with global best practices.

Self-Assessment

1. What are International Labour Standards and why are they important?
2. Explain the tripartite structure and major functions of the ILO.
3. How has India engaged with ILO conventions and recommendations?
4. In what ways do India's recent labour codes reflect alignment with ILO principles?

Assignments

1. Define 'Decent Work' and explain its components with examples.
2. How does the concept of a 'Living Wage' differ from minimum wage legislation?
3. Why is occupational safety critical in informal and hazardous sectors?

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BLOCK 2

Major Labour Laws in India



UNIT 1

Industrial Relations and Legislation

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the historical evolution of the labour movement in India
- ▶ explain the objectives and key provisions of the Trade Unions Act, 1926
- ▶ analyse the mechanisms and authorities under the Industrial Disputes Act, 1947
- ▶ describe the purpose and scope of the Factories Act, 1948 in protecting worker welfare

Background

Imagine early industrial India under British rule—where the clattering of textile machines echoed louder than the voices of the workers running them. Long hours, meagre pay, and unsafe conditions defined factory life. But slowly, these silenced voices found strength through informal gatherings and brave leaders like Lala Lajpat Rai and B.P. Wadia. The turning point came in 1918 with the Madras Labour Union, and soon legal recognition followed with the Trade Unions Act of 1926. As industries grew and conflicts arose, the government stepped in with the Industrial Disputes Act of 1947 to create structured resolution mechanisms. Simultaneously, the Factories Act of 1948 emerged to ensure workers weren't just seen as tools of production but as human beings deserving safety, health, and dignity. This trio of laws shaped the framework of industrial relations and worker protection in independent India.

Keywords

Trade Union, Industrial Dispute, Conciliation, Factories Act, Retrenchment

2.1.1 Historical Background of the Labour Movement in India

The roots of the labour movement in India can be traced back to the early years of industrialisation under British colonial rule. During the second half of the 19th century, the country witnessed the growth of textile mills, jute factories, railways, and plantations. These industries employed a large number of workers, often under extremely harsh and exploitative conditions—long working hours, low wages, lack of job security, and no legal protection.

► Roots of the labour movement

The earliest forms of worker resistance were sporadic and unorganised. However, over time, the consciousness of workers grew, leading to the formation of associations and informal groups. The first recorded labour strike in India took place in 1877 by the textile workers of Bombay (now Mumbai). Gradually, these informal groups began to evolve into organised associations.

A major turning point came with the formation of the Madras Labour Union in 1918, regarded as one of the first organised trade unions in India. Around the same time, leaders like B.P. Wadia, Lala Lajpat Rai, N.M. Joshi, and Joseph Baptista began advocating for workers' rights. These developments were influenced by nationalist movements and the global wave of socialist thought after World War I. However, trade unions faced several challenges, such as lack of legal recognition, weak organisation, and employer hostility. In many cases, union members were dismissed or harassed, and unions themselves were viewed as unlawful associations.

Need for Legal Recognition of Trade Unions

Before 1926, there was no law in India that protected the existence or functioning of trade unions. As a result:

- Employers could sue union leaders for conspiracy under criminal and civil law.
- Trade unions had no legal status to represent workers in negotiations or disputes.
- There was no system for registering or regulating unions, leading to poor accountability and credibility.

- Workers were often denied the right to collective bargaining.

To overcome these issues and to legitimise the growing labour movement, there was a growing demand for legislation to protect and regulate trade unions. The Royal Commission on Labour in India (1929-31) also later emphasised the importance of trade unions for healthy industrial relations.

2.1.2 Trade Unions Act, 1926

2.1.2.1 Objectives of the Trade Unions Act, 1926

The Trade Unions Act, 1926 was enacted to provide a legal identity and structure to trade unions in India. It came into effect on 1st June 1927. The main objectives of the Act are:

1. To provide for the registration of trade unions: It lays down the process through which trade unions can register and attain legal status.
2. To define the rights, liabilities, and responsibilities of registered trade unions: This includes the powers they enjoy and the legal protection they are entitled to.
3. To grant immunity to trade unions: The Act provides certain protections from civil and criminal suits for actions taken during trade disputes.
4. To regulate the internal affairs of trade unions: The Act ensures proper maintenance of records, elections of office-bearers, and submission of annual returns to the Registrar.
5. To encourage fair and democratic functioning of trade unions so that they can contribute positively to industrial peace and progress.

2.1.2.2 Key Definitions under the Act

The Trade Unions Act, 1926, contains several important definitions that help in understanding the scope and application of the law. These definitions are provided under Section 2 of the Act and clarify the meaning of terms commonly used throughout the legislation. Some of the essential definitions are explained below:

1. Executive [Section 2(a)]: The term "executive" refers to the managing body of a trade union, regardless of what it is called. This body is responsible for overseeing and conducting the day-to-day operations and affairs of the trade union.
2. Office-Bearer [Section 2(b)]: An office-bearer includes any person who is a part of the executive of a trade union.

However, this definition specifically excludes auditors, who are not considered office-bearers even if they are involved in the union's financial oversight.

3. Registered Office [Section 2(d)]: This is the official address of the trade union that is recorded during the registration process. It functions as the head office and serves as the primary location for correspondence and inspection of documents.
4. Registered Trade Union [Section 2(e)]: A registered trade union is one that has completed the formal registration process under the Act and has been officially recognised by the Registrar. This registration grants the union legal status and entitles it to specific rights and protections.
5. Trade Dispute [Section 2(g)]: A trade dispute refers to any disagreement or conflict involving:
 - employers and employees,
 - workers among themselves, or
 - employers among themselves,

when the issue is connected to employment, non-employment, working conditions, or terms of service. The term "workmen" in this context includes anyone employed in a trade or industry, whether or not they are working for the employer with whom the dispute arises.

1. Trade Union [Section 2(h)]: A trade union is any group or combination, whether temporary or permanent, that is formed mainly to manage the relationship between:
 - workers and employers,
 - workers and other workers, or
 - employers and other employers.

This definition also includes federations consisting of two or more trade unions. Such organisations often aim to improve working conditions, negotiate wages, and promote the interests of their members.

2.1.2.3 Mode of Registration

The Trade Unions Act, 1926 lays down a clear and structured process for the registration of trade unions. Registration is important as it gives legal recognition to the union and enables it to function effectively while enjoying certain rights and protections under the law.



► Registration process

Who Can Apply?

As per Section 4 of the Act, any seven or more members of a trade union can come together to apply for registration. These individuals must:

- Subscribe their names to the union's rules.
- Fulfil all the requirements outlined in the Act for registration.
- Special Requirement for Workers' Unions

If the trade union represents workmen, there is an additional condition:

- Under the Trade Unions Act, 1926, the requirement for registration was relatively minimal—any seven or more members of a trade union could subscribe their names to its rules and apply for registration. However, under the Industrial Relations Code, 2020, which consolidates and amends earlier labour laws, including the 1926 Act, the threshold has changed: at least 10% of the total workforce or 100 workmen, whichever is less, must be members of the union at the time of application. It is important to note that this enhanced requirement is a feature of the 2020 Code and not of the original 1926 legislation.

This provision ensures that the union has a reasonable and representative base among the workers it claims to represent.

Why This Process Matters?

The registration process not only formalises the existence of the trade union but also:

- Ensures transparency and accountability.
- Helps prevent the formation of fake or non-representative unions.
- Enables the union to enjoy legal status and protection under the law.

2.1.2.4 Rights and Liabilities of Registered Trade Unions

► Legal rights for Unions

Once a trade union is registered under the Trade Unions Act, 1926, it gains certain legal rights, along with specific responsibilities and limitations. These provisions help ensure that the union can function effectively while maintaining transparency and accountability.

Rights of Registered Trade Unions –

1. Legal Entity Status: A registered trade union becomes a body

corporate—it has a legal identity separate from its members. It can acquire, hold, and sell property, enter into contracts, and sue or be sued in its own name.

2. **Immunity from Certain Legal Actions:** Registered trade unions are protected from civil suits in specific cases. For example, if a trade union organises a strike or picketing in good faith for lawful objectives, it cannot be held liable for economic loss caused to an employer, as long as the action is peaceful.
3. **Use of Funds for Specified Purposes:**
 - A registered union can lawfully use its general funds for purposes such as:
 - Payment of salaries and administrative costs
 - Legal proceedings involving the union or its members
 - Welfare activities for members (e.g., education, health, insurance)
 - Publishing materials like pamphlets or journals
1. **Recognition in Industrial Disputes:** A registered union may represent its members during negotiations with employers, or in cases of industrial disputes before conciliation officers or labour courts.

Liabilities of Registered Trade Unions –

1. **Adherence to the Rules:** The union must operate in accordance with its own rules and the provisions of the Act. Changes in rules must be properly recorded and reported.
2. **Financial Accountability:** Unions are required to maintain proper accounts, which must be audited annually. This helps prevent misuse of funds and ensures financial transparency.
3. **Reporting to the Registrar:** Every registered union must submit an annual return to the Registrar, detailing its income, expenditure, assets, liabilities, and changes in office-bearers.
4. **Restrictions on Office-Bearers:** Certain restrictions apply to the appointment of office-bearers. For instance, only a limited number of honorary or non-working members can be on the executive body.

2.1.2.5 Duties and Obligations of Trade Unions

In addition to rights, trade unions also have a set of duties and obligations that help ensure their functioning is ethical, democratic, and beneficial to their members.

1. **Maintenance of Registers and Records:** Every registered union must maintain –



- A register of members
- Records of minutes of meetings
- Financial accounts and vouchers

These documents must be kept up-to-date and open to inspection by office-bearers or members.

2. **Conduct of Elections:** Elections for the executive committee and office-bearers must be conducted regularly and fairly, usually within a term not exceeding three years.
3. **Safe Custody of Funds:** Union funds must be kept securely and only used for purposes allowed by the Act. Proper procedures must be followed for receiving and disbursing funds.
4. **Submission of Annual Returns:** As per Section 28, unions must file an annual return with the Registrar, along with –
 - An audited financial statement
 - Details of changes in leadership
 - An updated copy of the union’s rules
5. **Transparency and Accountability:** Trade unions have an ethical duty to operate with honesty and transparency, ensuring that members' contributions are used appropriately and that decisions are made democratically.

2.1.3 Industrial Disputes Act, 1947

2.1.3.1 Key Concepts and Definitions

1. **Industry:** The term industry refers to any systematic activity that involves cooperation between an employer and workmen for the production, supply, or distribution of goods or services to satisfy human wants or wishes (excluding those of a purely spiritual or religious nature). It encompasses activities where employers and employees are engaged in organised work, whether or not capital is invested or profits are derived. Importantly, the definition excludes institutions run by charitable organisations, activities related to sovereign functions of the government (such as defence or law enforcement), and domestic services.
2. **Industrial Dispute:** An industrial dispute signifies any conflict or difference between employers and employees, employers and workmen, or workmen and workmen. This

► Systematic activity that involves cooperation

► Difference between employers and employees

► Any person employed in an industry

► Governed by conditions of employment

dispute must relate to the employment or non-employment, terms of employment, or conditions of labour of any person. It emphasises not just disputes affecting large groups but even those involving individual workmen, provided they pertain to employment matters and are supported by a trade union or a significant body of workers.

3. **Workman:** The Act defines a workman as any person employed in an industry to do manual, unskilled, skilled, technical, operational, clerical, or supervisory work for hire or reward. This includes individuals dismissed, discharged, or retrenched in connection with or as a consequence of an industrial dispute. However, the definition explicitly excludes those employed mainly in a managerial or administrative capacity, and persons in supervisory roles earning above a specified wage threshold or exercising managerial functions.
4. **Employer and Employee:** While not always separately defined, the terms employer and employee are understood within the context of the Act. An employer is anyone who employs one or more workmen in an industry. This may include individuals, government entities, companies, or other legal persons. An employee or workman, in this legal framework, refers to those working under such an employer as described above. Their relationship is governed by conditions of employment and subject to regulation under industrial law.
5. **Strike, Lockout, Lay-off, Retrenchment**
 - A strike is a cessation of work by a body of persons employed in an industry acting in combination, or a concerted refusal to continue to work or accept employment. It also includes any such refusal under a common understanding among workmen.
 - A lockout is the employer's counterpart to a strike. It involves the temporary closing of a place of employment, suspension of work, or refusal by an employer to continue to employ any number of persons.
 - A lay-off refers to the inability of an employer to give employment to a workman whose name is on the muster rolls due to reasons such as shortage of coal, power, raw materials, or the breakdown of machinery. It is usually temporary and not caused by any fault of the employee.



- Retrenchment involves the termination of a workman's services by the employer for any reason other than disciplinary action. It does not include voluntary retirement, retirement upon reaching the age of superannuation, or termination as a result of non-renewal of a contract.

2.1.3.2 Authorities under the Industrial Disputes Act, 1947

► Representatives of both employers and workmen

► Help resolve industrial disputes

► Settlement of industrial disputes

1. Works Committee (Section 3): In industrial establishments employing 100 or more workers, a Works Committee is constituted, comprising representatives of both employers and workmen. The primary function of this committee is to promote measures aimed at securing and preserving amity and good relations between the employer and the workmen. It plays a crucial role in addressing day-to-day problems and settling minor disputes at the plant level through mutual discussions, thereby fostering a cooperative work environment.
2. Conciliation Officers (Section 4): A Conciliation Officer is appointed by the appropriate government, either on a permanent basis or for a limited period, to help resolve industrial disputes. The officer is vested with significant powers, including the authority to enter any premises, conduct inquiries, and summon witnesses as part of the conciliation process. The primary duty of the Conciliation Officer is to mediate between the parties involved and promote the settlement of industrial disputes. After initiating the conciliation proceedings, the officer is required to submit a report to the government detailing the outcome of the efforts within 14 days of commencement or within a shorter period if specified.
3. Boards of Conciliation (Section 5): A Board of Conciliation is constituted by the government to promote the settlement of industrial disputes referred to it. It comprises a chairman, who is an independent person, and two or four other members representing the parties involved in the dispute. These boards are ad hoc in nature, meaning they are formed for a specific purpose and are not permanent bodies. Their primary objective is to facilitate amicable resolution of disputes through dialogue and negotiation.

► Quasi-judicial bodies

4. Labour Courts (Section 7): A Labour Court is constituted by the appropriate government and consists of a single person who possesses legal or judicial experience. These courts are quasi-judicial bodies established to adjudicate matters listed under the Second Schedule of the Industrial Disputes Act, such as the legality of orders of discharge, dismissal, retrenchment, and disciplinary action. Their primary function is to ensure fair and lawful resolution of disputes between employers and workmen within the framework of industrial law.

► Adjudicating complex industrial disputes

5. Industrial Tribunals (Section 7A): An Industrial Tribunal is composed of a single member who possesses qualifications similar to those of a Labour Court judge. It has jurisdiction over matters listed in both the Second and Third Schedules of the Industrial Disputes Act, covering a wide range of issues such as wages, hours of work, bonuses, retrenchment, and closure of establishments. The tribunal plays a vital role in adjudicating complex industrial disputes that involve broader and more substantial matters affecting industrial relations.

► Adjudicate major or inter-state industrial disputes

6. National Tribunals (Section 7B): A National Industrial Tribunal is constituted by the Central Government to address industrial disputes of national importance or those involving industrial establishments located in more than one state. The presiding officer of the tribunal must be, or must have been, a judge of a High Court, ensuring a high level of legal expertise in handling such cases. The primary objective of the National Industrial Tribunal is to adjudicate major or inter-state industrial disputes that have a wider impact on the national economy or industrial harmony.

► Non-binding and voluntary method

2.1.3.3 Mechanisms for Dispute Resolution

1. Conciliation

Conciliation is a non-binding and voluntary method of dispute resolution wherein a third-party conciliator facilitates discussions between employers and workers to help them reach a mutually agreeable solution. It is conducted by government-appointed Conciliation Officers or Boards of Conciliation, as provided under Sections 4 and 5 of the Industrial Disputes Act, 1947. The primary objective of conciliation is to mediate and



promote the amicable settlement of industrial disputes. If the parties succeed in reaching a settlement, it becomes binding on both sides. However, if no agreement is achieved, the conciliator submits a failure report to the appropriate government, which may then decide to refer the dispute for adjudication.

2. Arbitration

Arbitration is a more formal alternative where a neutral third party (arbitrator) makes a decision on the dispute.

a) Voluntary Arbitration

Voluntary Arbitration, as provided under Section 10A of the Industrial Disputes Act, allows both the employer and the employee to mutually agree to refer their dispute to an independent arbitrator for resolution. This process is less formal, more flexible, and typically quicker than adjudication. Once the arbitrator delivers an award, it is binding and enforceable, with the government publishing it officially. The award holds the same legal status and effect as that of an adjudication award, thereby offering a credible and efficient alternative for resolving industrial disputes.

► Mutually agree to refer

b) Compulsory Arbitration

Compulsory Arbitration occurs when the government mandates the resolution of an industrial dispute through arbitration without obtaining the consent of both parties. This measure is typically reserved for situations involving essential services or when the dispute poses a threat to the national interest. Unlike voluntary arbitration, compulsory arbitration is an exception in industrial law and is used sparingly. For instance, the government may enforce it during strikes in critical sectors such as defence, public transport, or healthcare to maintain public order and ensure the continuity of essential services.

► Without obtaining the consent

3. Adjudication

Adjudication is a formal legal process under which an industrial dispute is referred by the government to a judicial authority for resolution. It is governed by Sections 7, 7A, and 10 of the Industrial Disputes Act, 1947. Depending on the nature and seriousness of the dispute, different adjudicatory bodies are involved: Labour Courts handle less serious matters such as wage claims and working hours; Industrial Tribunals deal with more complex issues like layoffs and retrenchment; and National Industrial Tribunals are designated for disputes

► After conciliation efforts have failed

of national importance or inter-state implications. Adjudication is usually initiated by the government after conciliation efforts have failed. The decision or award given by the adjudicatory body is legally binding and enforceable on the parties involved.

2.1.3.4 Types of Industrial Disputes

1. Interest Disputes vs. Rights Disputes

Interest Disputes

► Conflicts of interest

Interest disputes are also called conflicts of interest. They arise when workers demand better conditions of employment—such as higher wages, better working hours, or new benefits—and the employer is not legally bound to agree. These are typically forward-looking disputes that occur during the negotiation or renewal of a collective agreement.

Examples:

- Demand for wage revision
- Request for changes in leave policy
- Proposal for new bonus structures

Rights Disputes

► Application or interpretation of existing laws

Rights disputes, on the other hand, concern the application or interpretation of existing laws, contracts, or agreements. These disputes arise when a worker or a group of workers believe their existing rights—enshrined in law, contract, or standing orders—have been violated.

Examples:

- Non-payment of agreed wages or overtime
- Unjust disciplinary action
- Denial of leave or benefits already provided under contract

2. Disputes Related to Specific Issues

The Industrial Disputes Act, 1947 covers a broad range of disputes, including those related to:

- Wages: Conflicts over the rate of wages, payment of minimum wages, or delay in wage payments.
- Working Conditions: Disputes involving hours of work, shift timings, safety conditions, or provision of facilities like restrooms or canteens.
- Retrenchment: Termination of workers without sufficient



► Influence of Interest Groups and Private Sector Collusion

cause or compensation often leads to disputes, especially when proper procedures under the Act are not followed.

- Lay-off and Closure: Situations where workers are temporarily laid off due to breakdown of machinery or raw material shortage, or permanently dismissed due to closure of business, may result in legal challenges.
- Disciplinary Action: This includes disputes regarding dismissal, suspension, or demotion of employees. Workers often approach Labour Courts alleging unfair labour practices or victimisation.
- Promotion and Transfers: Although less common, disputes may also arise over perceived unfair treatment in promotions or transfers, particularly when such actions are seen as punitive.

2.1.3.5 Lay-off, Retrenchment, and Closure

1. Lay-off

Layoff is defined as the temporary inability of an employer to provide employment to a workman due to reasons such as a shortage of power, raw materials, machinery breakdown, or similar causes. For a layoff to be considered legal, certain conditions must be met: the workman should be registered on the muster rolls and must not be a casual or badli worker, and the employer must have a justifiable reason for the layoff as specified under Section 2(kkk) of the Industrial Disputes Act. When a layoff occurs, workers who have completed continuous service of one year or more are entitled to compensation, which amounts to 50% of their basic wages plus dearness allowance for all days they are laid off, excluding weekly holidays, as provided under Section 25C.

► Temporary inability

2. Retrenchment

Retrenchment refers to the termination of a worker's service by the employer for reasons other than punishment, retirement, voluntary resignation, or superannuation. According to Section 25F of the Industrial Disputes Act, for retrenchment to be legal, the employer must provide the workman with one month's written notice or wages in lieu of notice. Additionally, the employer is required to pay retrenchment compensation, which amounts to 15 days' average pay for every completed year of continuous service. The employer must also notify the appropriate government about the retrenchment. Apart from the mandatory severance pay, the employee may also be entitled to gratuity as governed by the Payment of Gratuity Act.

► Termination of a worker's service

► Permanent shutdown
of a place of
employment

3. Closure

Closure refers to the permanent shutdown of a place of employment by the employer. Under Sections 25FFA and 25-O of the Industrial Disputes Act, certain conditions must be met for the closure to be legal. For establishments with fewer than 100 workers, the employer is required to give the government at least 60 days' prior notice before closing the establishment. However, for larger establishments employing 100 or more workers, prior permission from the government is mandatory before proceeding with the closure. If such permission is denied, the closure is considered illegal. In terms of compensation, workers affected by the closure are entitled to compensation equivalent to that provided for retrenchment, which is 15 days' average pay for every completed year of service.

2.1.3.5.1 Special Provisions for Large-Scale Industries (Chapter V-B):

Applicable to:

- Industrial establishments employing 100 or more workers on an average per working day in the preceding 12 months.

Special Conditions:

- Lay-off (Section 25M): Prior government permission is required before laying off workmen (except in the case of power shortages, natural calamities, etc.).
- Retrenchment (Section 25N): Three months' notice + prior government permission + retrenchment compensation.
- Closure (Section 25O): 90 days' prior notice + government permission.

Compensation (for all three cases):

- 15 days' average pay per year of continuous service.

Penalties:

- Failure to comply may render the lay-off/retrenchment/closure illegal, entitling the workman to full wages and reinstatement.

2.1.3.6 Role of Government

1. Powers of Reference to Labour Courts and Tribunals

Section 10 of the Industrial Disputes Act, 1947, empowers the appropriate government—either Central or State—to refer an industrial dispute for adjudication. Depending on the nature



► Nature of the dispute

of the dispute, it may be referred to a Labour Court for matters listed under the Second Schedule, or to an Industrial Tribunal for issues under the Second or Third Schedule. The government can initiate this referral either suo motu (on its own motion) or based on an application from the parties involved in the dispute. While this power is discretionary, courts have ruled that the government must exercise this discretion reasonably and not arbitrarily. For example, if workers and employers fail to settle a wage dispute through conciliation, the government may decide to refer the case to an Industrial Tribunal for adjudication and resolution.

2. Power to Prohibit Strikes and Lockouts in Essential Services

► Significant for essential public utility services

Under Sections 22 and 23 of the Industrial Disputes Act, along with Section 10(3) and Section 10B, the government has the authority to prohibit strikes or lockouts during the pendency of conciliation, adjudication, or arbitration proceedings. This power is particularly significant for essential public utility services such as transport, postal services, water supply, electricity, and healthcare, where uninterrupted service is critical. The Essential Services Maintenance Act (ESMA) further strengthens these provisions by enabling the government to outright prohibit strikes in certain notified essential services and to take punitive action against individuals who initiate or participate in such strikes. The main objective behind these powers is to ensure the continuous provision of vital public services and prevent any disruption that could affect the public at large. Importantly, this prohibition can be enforced even before a strike or lockout occurs if the government foresees potential disruption. For example, if transport workers in a metropolitan city issue a strike notice, the government may prohibit the strike in the interest of public welfare to avoid hardship for commuters and the general public.

2.1.4 Factories Act, 1948

2.1.4.1 Historical Background and Need for the Act

The Factories Act, 1948, was enacted by the Indian Parliament to consolidate and amend the laws regulating labour in factories. Before this legislation, factory workers in India faced difficult working conditions, including long hours, inadequate health and safety measures, and little or no welfare provisions. The growing industrialisation in British India in the late 19th and

► Laws regulating labour in factories

early 20th centuries necessitated legal intervention to safeguard the interests of factory workers.

The first Factory Act in India was passed in 1881, primarily to regulate the working hours of women and children. Over the decades, this law underwent several amendments, reflecting the changing nature of industrial employment and the evolving awareness of labour rights. However, these piecemeal efforts were not adequate in addressing the comprehensive needs of workers and employers in a rapidly industrialising economy. Therefore, a need was felt for a single, consolidated piece of legislation. This led to the enactment of the Factories Act, 1948, which replaced the earlier Factories Act of 1934.

The Act came into force on 1st April 1949 and has since been one of the central legislations governing labour welfare, safety, and health in factory settings.

Objectives of the Act

The Factories Act, 1948, aims to ensure adequate safety measures and promote the health and welfare of workers employed in factories. Its main objectives are:

- To regulate the working conditions of factory workers.
- To ensure the safety, health, and welfare of labourers while they are engaged in factory operations.
- To define the responsibilities of employers and occupiers in providing safe working environments.
- To prohibit the employment of young children and regulate the employment of adolescents.
- To provide statutory guidelines for working hours, leave with wages, and rest intervals.
- To ensure that any industrial activity does not adversely affect the environment or public health.

By setting these standards, the Act seeks to strike a balance between the rights of workers and the operational needs of industries.

Scope and Applicability

The Factories Act, 1948, applies to the whole of India. It governs the working conditions in premises where manufacturing processes are carried out with the aid of power and where at least ten workers are employed, or without the aid



of power where twenty or more workers are employed.

Under Section 2(m) of the Act, a "factory" is defined as any premises including its precincts:

- Where ten or more workers are working (or were working on any day of the preceding twelve months) and in any part of which a manufacturing process is being carried on with the aid of power, or
- Where twenty or more workers are working (or were working on any day of the preceding twelve months) and in any part of which a manufacturing process is being carried on without the aid of power.

► Broad applicability

However, the Act does not apply to:

- Mines under the Mines Act, 1952.
- Mobile units of the armed forces.
- Railway running sheds.
- Hotels, restaurants, or eating places.

The Act is applicable irrespective of whether the workers are employed directly or through an agency or contractor, and whether they are paid wages or not, as long as they are engaged in the manufacturing process or any related activity.

This broad applicability ensures that all industrial premises falling within the above criteria must comply with the provisions of the Act, thereby standardising working conditions across different kinds of factories in India.

2.1.4.2 Key Definitions (Section 2)

The Factories Act, 1948, contains a number of definitions under Section 2, which are critical for understanding the scope and application of the law. Some of the most important terms are explained below:

1. Factory: A "factory" means any premises, including its precincts:
 - Where ten or more workers are working or were working on any day of the preceding twelve months and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on; or
 - Where twenty or more workers are working or were working on any day of the preceding twelve months and in any part

of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on.

The definition specifically excludes:

- Mines covered under the Mines Act, 1952.
- Mobile units of the armed forces.
- Railway running sheds.
- Hotels, restaurants, or eating places.

The term “factory” also includes establishments where different groups or shifts of workers are employed during the same day.

2. Manufacturing Process: “Manufacturing process” refers to any process for:

- Making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery, or disposal.
- Pumping oil, water, sewage, or any other substance.
- Generating, transforming, or transmitting power.
- Printing and related processes such as book-binding.
- Ship construction, repair, or breaking.
- Cold storage or preservation of articles.

► Inclusive definition

This inclusive definition ensures that a wide range of industrial and production-related activities fall under the purview of the Act.

3. Worker: A “worker” is any person employed directly or through any agency (including a contractor), with or without the knowledge of the principal employer, and whether for remuneration or not, in any manufacturing process, or in cleaning any part of the machinery or premises used for a manufacturing process, or in any other kind of work incidental to or connected with the manufacturing process.

Members of the armed forces are specifically excluded from this definition.

4. Occupier: The “occupier” of a factory is the person who has ultimate control over the affairs of the factory. The Act also provides clarifications for specific cases:

- In a firm or association: any individual partner or member



can be deemed the occupier.

- In a company: any one of the directors is deemed the occupier.

In a government-run factory, the person appointed to manage the factory by the government or local authority is considered the occupier.

In the case of a ship under repair in a dry dock available for hire, the owner of the dock and the ship-owner (or their agents) share responsibilities as occupiers for different aspects of compliance under the Act.

5. Other Important Definitions

- Adult: A person who has completed eighteen years of age.
- Adolescent: A person who has completed fifteen but not eighteen years of age.
- Child: A person who has not completed fifteen years of age.
- Young Person: A collective term referring to both children and adolescents.
- Power: Any form of energy that is mechanically transmitted and not generated by human or animal effort.
- Machinery: Includes prime movers, transmission machinery, and all appliances whereby power is generated, transformed, or applied.
- Day and Week: A “day” is a period of twenty-four hours beginning at midnight, and a “week” is seven days beginning at midnight on Saturday or another approved day.
- Prime Mover: Any engine or motor that generates or provides power.

These definitions lay the foundation for interpreting the rights, duties, and protections provided under the Factories Act and determine who falls under its ambit and to what extent.

2.1.4.3 Authorities under the Act

The Role of the Inspecting Staff

The Act provides for the appointment of various officers to enforce its provisions. These include Inspectors, Chief Inspectors, Additional Chief Inspectors, Joint and Deputy Chief Inspectors, and Certifying Surgeons. These officers are empowered by the State Government through notifications in the Official Gazette.

► Ensure that factories comply with the legal standards

Their primary role is to ensure that factories comply with the legal standards related to the health, safety, welfare, and working conditions of workers. The inspecting staff also play a critical role in accident investigation, record inspection, and legal enforcement.

Inspectors are considered public servants under the Indian Penal Code and operate under the supervision of authorities designated by the State Government.

Powers and Functions of the Inspectors

Inspectors have a wide range of powers to facilitate compliance with the Act. These include the power to:

- Enter any factory premises with assistants or experts.
- Examine the premises, machinery, articles, and substances.
- Investigate accidents or dangerous occurrences.
- Demand the production of registers and documents.
- Seize or take copies of relevant records.
- Take photographs or measurements for evidence.
- Require that any area or machinery be left undisturbed for investigation.
- Dismantle or test machinery or substances that may pose health or safety risks.
- Direct safety-related actions where immediate danger is perceived.

Certifying Surgeons, also appointed under the Act, have the authority to medically examine workers, especially young persons, and are responsible for certifying their fitness for employment. They also oversee health-related aspects in hazardous or dangerous processes.

Duties of Occupiers and Managers

The occupier holds primary responsibility for ensuring that the factory complies with the provisions of the Act. According to Section 7A, every occupier must ensure, as far as is reasonably practicable, the health, safety, and welfare of all workers while they are at work in the factory.

This includes:

- Maintaining safe systems of work and plant.
- Ensuring safe handling, storage, and transport of substances.



► Ensuring that the factory complies with the provisions of the Act

- Providing necessary training, supervision, and information to workers.
- Maintaining the work environment to prevent health risks.

Additionally, manufacturers or suppliers of machinery used in factories also have duties under Section 7B to ensure the safety of their products.

The manager, whose name must be officially notified to the Chief Inspector, is responsible for the day-to-day operations and implementation of the Act's provisions on the factory floor. If no manager is appointed, the occupier is deemed to be the manager.

2.1.4.4 Health Provisions (Sections 11–20)

The Factories Act, 1948 lays down detailed provisions to maintain and promote the health and hygiene of workers within factory premises. These provisions are covered under Sections 11 to 20.

Cleanliness (Section 11)

- Every factory must be kept clean and free from waste or effluvia. This includes:
 - Daily removal of dirt and refuse.
 - Weekly cleaning of floors by washing or other effective methods.
 - Whitewashing or repainting of walls, ceilings, and woodwork at prescribed intervals.
 - Maintaining a register indicating dates of such maintenance.
 - The State Government may grant exemptions where these measures are not practical, provided alternative arrangements are made.

Disposal of Wastes and Effluents (Section 12)

Effective arrangements must be made in every factory for treating and disposing of wastes and effluents to make them harmless. The State Government may prescribe the required arrangements and appoint authorities to approve them.

Ventilation and Temperature (Section 13)

Every factory must provide adequate ventilation and maintain a reasonable temperature for the comfort and safety of workers. Walls and roofs must be constructed to minimise heat, and processes generating excessive heat must be separated or

insulated.

The Chief Inspector may issue specific instructions to reduce high temperatures.

Dust and Fume Control (Section 14)

Factories that generate dust, fumes, or other harmful impurities must take measures to prevent their inhalation and accumulation. This includes installing exhaust appliances near the point of origin and enclosing sources of dust and fumes.

Internal combustion engines must be vented appropriately to avoid indoor air contamination.

Artificial Humidification (Section 15)

In factories where humidity is artificially increased:

- The State Government may prescribe standards and methods.
- Water used must be of drinking quality or effectively purified.
- Inspectors may order specific measures if water is not adequately purified.

Overcrowding (Section 16)

Rooms in factories must not be overcrowded to the extent that it is injurious to health. Specific cubic space per worker is mandated:

- At least 9.9 cubic metres per worker for factories existing before the Act.
- At least 14.2 cubic metres per worker for factories built after the Act's commencement.

The Chief Inspector may require a notice displaying the maximum number of workers allowed in a room.

Lighting, Drinking Water, Latrines, and Urinals (Sections 17–19)

- Lighting (Section 17): Adequate natural or artificial lighting must be provided and maintained. Measures should prevent glare and harmful shadows.
- Drinking Water (Section 18): Factories must provide a sufficient supply of wholesome drinking water, marked clearly and placed away from contaminants. In factories with more than 250 workers, cool drinking water must be provided during hot weather.
- Latrines and Urinals (Section 19): Adequate and separate facilities must be provided for male and female workers.



These must be clean, well-lit, ventilated, and maintained regularly. In larger factories, tiled surfaces and regular disinfecting are required.

Spittoons (Section 20)

Spittoons must be provided in adequate numbers and maintained hygienically. Spitting outside designated spittoons is prohibited and punishable by a fine. Notices must be displayed prominently to inform workers of this rule.

2.1.4.5 Safety Provisions (Sections 21–41H)

The Factories Act, 1948 includes important provisions to ensure the safety of workers. These are mainly about the safe use of machinery, preventing accidents, and handling dangerous substances carefully.

Machinery Safety

All dangerous parts of machinery must be properly fenced to prevent accidents and ensure worker safety. Only specially trained adult male workers are permitted to operate or work near moving machinery, and even then, they must adhere to strict safety regulations. Additionally, young persons are prohibited from working on dangerous machines unless they have received proper training or are under close supervision to minimise the risk of injury.

▶ Must be properly fenced

Emergency Controls and Lifting Devices

Factories are required to install devices that can cut off power immediately in case of emergencies to ensure the safety of workers. Moving parts such as belts, gears, and other machinery components must be properly maintained to prevent accidents and injuries. Additionally, lifts, hoists, chains, and ropes used within the factory must be strong, regularly tested, and never operated beyond their safe working limits to avoid hazardous situations.

▶ Can cut off power immediately

Protection from Hazards

Floors, stairs, and pits within the workplace must be maintained to ensure they are safe for workers to walk on or around, minimising the risk of slips, trips, and falls. Workers should never be required to lift excessively heavy loads that could cause them physical harm. Additionally, where there is a risk of injury to the eyes from sparks, intense light, or

▶ Safe for workers to walk on or around

chemicals, appropriate eye protection must be provided to safeguard workers' health and safety.

Precaution Against Dangerous Substances

Workers must not enter tanks or pits containing dangerous gases unless proper safety measures, such as adequate ventilation and gas testing, have been implemented to ensure a safe environment. Electric lights used in confined spaces are required to be low voltage to minimise the risk of electric shocks. Additionally, inflammable materials must be handled with great care to prevent fires or explosions, ensuring the safety of both workers and the workplace.

► Safety of both workers and the workplace

Fire Safety

Factories are required to provide safe and accessible exits along with adequate fire-fighting equipment to ensure a prompt response in case of fire emergencies. Additionally, workers should receive proper training on fire safety procedures, including how to act and evacuate safely during a fire, to minimise risks and protect lives.

► Prompt response

Building and Process Safety

Factory buildings and machinery must be maintained in a safe and sound condition to prevent accidents and ensure a secure working environment. In large or hazardous factories, Safety Officers are required to be appointed to oversee the implementation of safety measures and ensure compliance with safety regulations.

► Safety Officers

Special Provisions for Hazardous Processes

Factories that handle harmful chemicals or engage in dangerous operations are required to inform workers about the associated risks and the safety measures they must follow. They must also strictly adhere to emergency safety rules prescribed by the government to manage potential hazards effectively. Importantly, these factories must ensure that workers can report any immediate dangers or unsafe conditions without fear of punishment or retaliation, fostering a safe and transparent work environment.

► Adhere to emergency safety rules

2.1.4.6 Welfare Provisions (Sections 42–50)

The Factories Act not only focuses on safety and health but also ensures basic welfare facilities for workers. These



provisions improve comfort and dignity at the workplace.

Washing Facilities (Section 42)

- Every factory must provide suitable and clean washing areas for workers.
- Separate facilities should be provided for male and female workers.

Storage and Drying of Clothing (Section 43)

- Facilities must be available to store and dry wet or dirty clothes, especially in factories where workers are exposed to water or chemicals.

Sitting Facilities (Section 44)

- Workers who stand for long hours should be provided with sitting arrangements to rest during breaks.

First-Aid (Section 45)

- Every factory must keep first-aid boxes with basic medicines and supplies.
- In factories with over 500 workers, a medical room with trained staff is required.

Canteens (Section 46)

- Factories employing more than 250 workers must provide a canteen for workers to buy hygienic food at reasonable rates.

Rest Rooms and Shelters (Section 47)

- Workers must have access to restrooms or shelters during breaks or when not working.

Creches (Section 48)

- Factories employing 30 or more women workers must provide a creche for children below 6 years of age.
- A trained woman must be in charge of the creche.

Welfare Officers (Section 49)

- Factories with more than 500 workers must appoint Welfare Officers to look after workers' wellbeing.

Rule-Making Powers (Section 50)

- The State Government can make rules to improve or expand these welfare facilities.

2.1.4.7 Working Hours of Adults (Sections 51–66)

The Factories Act protects adult workers from working too

long or under exhausting schedules. These rules help ensure proper rest, fair hours, and extra wages for overtime.

Weekly and Daily Working Hours

► Entitled to receive overtime pay

A worker cannot be required to work more than 48 hours in a week, as stipulated under Section 51 of the Industrial Disputes Act. Additionally, daily working hours must not exceed 9 hours according to Section 54. In cases where a worker is asked to work beyond these prescribed hours, they are entitled to receive overtime pay at twice their normal wage rate, as specified in Section 59.

Weekly Holidays (Section 52)

► Entitled to one full day off

Every worker is entitled to one full day off each week, typically on Sunday. If it is not possible to provide this day off on the usual day, the employer must grant a compensatory day off on another day to ensure the worker receives adequate rest.

Compensatory Holidays (Section 53)

If a worker is denied a weekly holiday, they must be given a compensatory holiday within the same month.

Rest Intervals and Spread Over

Workers are entitled to a rest break after five hours of continuous work, as mandated by Section 55. Additionally, the total duration of the working day, including rest periods, must not exceed 10.5 hours according to Section 56.

Night Shifts (Section 57)

When a worker is on a shift that extends beyond midnight, their 24-hour day starts from the end of the shift.

Overlapping Shifts (Section 58)

Factories must avoid overlapping shifts unless permitted by the Chief Inspector.

Restriction on Double Employment (Section 60)

A worker cannot be employed in more than one factory on the same day.

Notice of Work Hours and Registers

Every factory is required to display a notice showing the work periods clearly, as per Section 61. Additionally, a register



of adult workers must be maintained in accordance with Section 62. The actual working hours of the employees must correspond with the hours mentioned in the displayed notice and recorded in the register, as mandated by Section 63.

Exemptions (Sections 64–65)

The State Government can relax some rules in special cases like urgent repairs or seasonal industries.

Employment of Women (Section 66)

► Extra safeguards and protective measures

Women workers cannot be required to work between 7 PM and 6 AM unless special permission is granted by the appropriate authorities. Additionally, they must be provided with extra safeguards and protective measures as necessary to ensure their safety and wellbeing in the workplace.

2.1.4.8 Penalties and Procedures (Sections 92–106)

The Factories Act, 1948 provides penalties for those who disobey the rules or endanger the safety, health, or welfare of workers. These penalties are meant to ensure that factory owners and managers take their responsibilities seriously.

General Penalty (Section 92)

If any rule under the Act is broken, the occupier or manager can be punished with:

- Imprisonment of up to 2 years, or
- Fine of up to ₹1,00,000, or
- Both.
- If the violation continues, a daily fine of up to ₹1,000 may be charged.

Repeat Offences (Section 94)

- If someone breaks the law again after being punished earlier, the fine or imprisonment can be increased.

Obstructing Inspectors (Section 95)

- If anyone stops or disturbs an Inspector from doing their duty, they can be fined or imprisoned.

False Fitness Certificate (Section 98)

- Using a fake fitness certificate (for example, to employ a young person) is punishable.

Double Employment of Child (Section 99)

- If a child is made to work in more than one factory on the same day, the employer can be fined or punished.

Penalties for Specific Violations (Sections 96A, 97)

- Workers who break rules or behave carelessly can also face punishment.
- If the occupier does not follow rules related to hazardous processes (like not informing workers of risks), specific penalties apply.

Court Powers and Procedures

Courts can:

- Order improvements in the factory (Section 102).
- Assume that a person found working is a regular employee (Section 103).
- Require proof of a worker's age if it is disputed (Section 104).
- Filing a Case (Section 105–106)

Cases can only be started by an Inspector or with the approval of the Chief Inspector. The time limit to file a case is usually 3 months from when the Inspector notices the offence.

Summarized Overview

India's industrial labour laws evolved in response to exploitative colonial-era working conditions. The Trade Unions Act, 1926 provided legal status and protection to workers' associations, enabling collective bargaining. The Industrial Disputes Act, 1947 established a system for resolving employer-worker conflicts through conciliation, arbitration, and adjudication. Complementing these, the Factories Act, 1948 addressed workplace health, safety, and welfare. Together, these laws aimed to promote industrial peace, protect worker rights, and support economic productivity through legal governance of industrial relations.

Self-Assessment

1. Discuss the significance of the Trade Unions Act, 1926 in the development of industrial relations in India.
2. Explain the various mechanisms for resolving industrial disputes under the Industrial Disputes Act, 1947.
3. Analyse the role of the Factories Act, 1948 in ensuring worker health and safety.
4. Trace the historical evolution of the labour movement in India and its impact on labour legislation.



Assignments

1. What are the main objectives behind regulating trade unions through legislation?
2. How do the provisions of the Factories Act ensure the welfare of industrial workers?
3. Compare the approaches of the Trade Unions Act and Industrial Disputes Act in promoting industrial democracy.

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Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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UNIT 2

Wages and Compensation Laws

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the objectives and scope of the Employees' Compensation Act, 1923
- ▶ analyse the regulatory mechanisms of the Payment of Wages Act, 1936
- ▶ explore wage fixation and enforcement under the Minimum Wages Act, 1948
- ▶ examine the role of public administration in implementing wage and compensation laws

Background

As industrialisation expanded in colonial and post-independence India, wage-related exploitation and workplace injuries became pressing social issues, especially among unorganised and semi-skilled labourers. To address these injustices, the Indian government enacted a series of protective legislations beginning with the Employees' Compensation Act, 1923—offering financial relief for work-related injuries or death. This was followed by the Payment of Wages Act, 1936, to regulate timely and full wage payments, and the Minimum Wages Act, 1948, to set legal wage floors for vulnerable workers. These laws collectively form the cornerstone of India's labour welfare architecture, ensuring economic security and dignity of work. Public administration plays a vital role in enforcing these laws, managing claims, and ensuring compliance through an extensive network of inspectors, commissioners, and grievance redressal mechanisms.

Keywords

Compensation, Minimum Wages, Wage Deductions, Labour Welfare

2.2.1 The Employees' Compensation Act, 1923

The Employees' Compensation Act, 1923, originally known as the Workmen's Compensation Act, is one of the earliest pieces of social security legislation in India. It was enacted to provide financial protection to workers who suffer injury or death due to accidents arising out of and in the course of their employment.

The Act came into force on 1st July 1924 and aimed to ensure that employees or their dependents are not left helpless after a workplace injury or fatality. Before this legislation, workers had to go through lengthy civil suits to claim damages, which was burdensome and inefficient.

This Act marked a shift towards the welfare state model in India, reflecting the government's responsibility in safeguarding the interests of labourers in an industrialising economy. It ensured that employers are held accountable for providing compensation, thereby incentivising safe working conditions.

It applies to both organised and certain categories of unorganised workers, excluding those in the Armed Forces. Over time, it has evolved through amendments and judicial interpretations, strengthening the rights of employees in sectors such as mining, construction, factories, and transport.

Thus, the Employees' Compensation Act is a cornerstone of labour welfare in India, illustrating the state's role in upholding social justice and human dignity through legal mechanisms.

2.2.1.1 Objectives

The primary objective of the Employees' Compensation Act, 1923 is to provide a legal mechanism for compensating employees who suffer injuries, disabilities, or death due to accidents arising out of and in the course of their employment (Section 3)

Key objectives include:

1. Ensuring Prompt Compensation: The Employees' Compensation Act, 1923 ensures prompt compensation to employees or their dependents in cases of work-related injuries, disabilities, or death. The Act places a legal obligation on employers to provide financial relief not only for acci-



► Principle of social justice

► Deterrent against negligence

► For Vulnerable Workforce

dents but also for occupational diseases that are specific to certain types of employment, as listed in Schedule III. To reinforce timely compliance, Section 4A of the Act mandates that compensation must be paid without undue delay. If the employer defaults in payment, they are liable to pay interest on the amount due, and in cases of unjustified delay, a penalty of up to 50% of the compensation may also be imposed. This provision upholds the principle of social justice and emphasises the protective role of the State in labour welfare.

2. **Promoting Safe Workplaces:** By making employers legally liable to pay compensation for work-related injuries and diseases, the Employees' Compensation Act, 1923 indirectly promotes safer working conditions. Knowing that they may be financially responsible for accidents, employers are encouraged to implement safety measures and ensure compliance with occupational health standards. The law thus acts as a deterrent against negligence, holding employers accountable for avoidable harm, and fostering a culture of responsibility and risk prevention in the workplace.
3. **Protecting the Vulnerable Workforce:** The Employees' Compensation Act, 1923 primarily applies to manual, unskilled, and semi-skilled workers employed in hazardous sectors such as construction, transport, mining, and related industries. These workers are often the most vulnerable to occupational risks and injuries. As defined in Section 2(dd) of the Act, it covers a wide range of job categories including crew members of ships and aircraft, drivers and helpers in motor vehicles, and employees working abroad for Indian companies. However, the Act explicitly excludes personnel of the Armed Forces, recognising that their conditions of service are governed by separate rules.

2.2.1.2 Key Definitions

Understanding key terms is crucial for applying and interpreting the Act correctly. Some important definitions from Section 2 of the Act are:

1. **Employee:** As defined in Section 2(dd) of the Employees'

Compensation Act, 1923, an "employee" includes a broad range of individuals engaged in potentially hazardous occupations. This includes crew members of ships and aircraft, drivers, mechanics, cleaners, and helpers associated with motor vehicles, as well as workers employed in factories, construction, mining, and other occupations specified in Schedule II of the Act. It also covers persons recruited for work abroad by companies registered in India. However, the definition excludes members of the Armed Forces, as they are governed by separate service conditions and compensation mechanisms.

2. **Employer:** As defined in Section 2(e) of the Employees' Compensation Act, 1923, an "employer" includes any person or organisation that employs one or more employees, whether incorporated or not. The term also covers a managing agent responsible for overseeing the employer's business and the legal representative of a deceased employer. Additionally, it includes any person who temporarily hires or borrows an employee from another employer, thereby holding them accountable for compensation during the period the employee is working under their supervision.
3. **Compensation:** As per Section 2(c) of the Employees' Compensation Act, 1923, compensation refers to the financial payments that an employer is legally required to provide under the Act in cases of death, permanent or temporary disability, or occupational diseases arising during the course of employment. These payments are meant to offer social and economic security to employees or their dependents in the event of work-related harm. Collectively, such definitions lay the foundation for determining who is protected under the law, who holds the responsibility, and what form and amount of compensation is payable in various situations.
4. **Commissioner:** A legally appointed officer who handles claims and disputes under the Act.
5. **Dependant:** Includes family members like spouse, children, widowed mother, and in some cases, extended family members who were financially dependent on the deceased employee.



6. **Partial Disablement:** A condition where the employee's earning capacity is reduced partially (temporarily or permanently), but not completely.
7. **Total Disablement:** A condition that makes the employee incapable of performing any work they could do before the accident, either temporarily or permanently.
8. **Wages:** Includes regular monetary earnings and benefits, except travel allowance, pension fund contributions, or special expenses reimbursed.
9. **Occupational Disease:** A disease listed in Schedule III that is directly linked to a specific job, like those in mining, textile, or chemical industries.
10. **Qualified Medical Practitioner:** A doctor registered under state or central law, or notified by the government, who is authorised to assess medical conditions under the Act.
11. **Minor:** Any person under 18 years of age.

2.2.1.3 Scope and Applicability

Geographical Coverage: The Act extends to the whole of India (Section 1(2)) and applies uniformly across all states and union territories.

Who is Covered?

The Employees' Compensation Act, 1923 applies to specific categories of employees who are engaged in hazardous or manual work. This includes workers employed in sectors such as mines, factories, railways, construction, shipping, aviation, and motor transport, where the risk of occupational injury or disease is higher. The Act also extends to persons recruited for work abroad by companies registered in India, ensuring they are protected even while working outside the country. Furthermore, it covers a wide range of job roles that are explicitly listed in Schedule II of the Act, thereby clearly defining its scope and reach.

Who is Not Covered?

Members of the Armed Forces are explicitly excluded from the definition of "employee" under Section 2(dd).

► Specific categories of employees

Type of Employment

► Regardless of the nature of the employment

The Employees' Compensation Act, 1923 applies regardless of the nature of the employment contract—whether it is written, oral, implied, or expressed. This inclusive approach ensures that employees are not denied protection due to the absence of formal agreements. As per Section 3 of the Act, it covers injuries resulting from accidents or occupational diseases that arise out of and in the course of employment, thereby emphasising the employer's responsibility to ensure the safety and well-being of workers under all forms of engagement.

Government Establishments

The Act also applies to employees in government departments when they perform work considered hazardous or listed in Schedule II.

2.2.1.4 Employer's Liability

Under Section 3 of the Employees' Compensation Act, 1923, an employer is legally obligated to pay compensation when certain conditions are met during the course of employment.

1. **Injury by Accident:** If an employee suffers a personal injury caused by an accident that arises out of and in the course of employment, the employer is bound to provide compensation. This provision ensures that employees are protected against unforeseen incidents that occur while performing their job duties.
2. **Occupational Diseases:** When an employee contracts a disease listed in Schedule III—such as asbestosis, silicosis, or other industry-specific illnesses—it is treated as an “injury by accident.” The law presumes that such diseases are work-related, and the employer is liable to compensate the affected employee accordingly.
3. **Death Due to Employment:** If a worker dies as a result of a job-related accident or occupational disease, the employer must pay compensation to the dependants of the deceased. This provision reflects the welfare objective of the Act, offering financial security to the family members left behind.

► Obligated to pay compensation



These scenarios outline the situations where liability exists, establishing the employer's responsibility to provide timely and fair compensation under the law.

When Liability Does Not Exist

► Situations where the employer is not liable

The Employees' Compensation Act, 1923 also outlines specific situations where the employer is not liable to pay compensation. Firstly, if the injury does not cause disablement lasting more than three days, the employer is exempt from liability. Additionally, no compensation is payable if the injury was a result of the employee's own misconduct or negligence, such as being under the influence of drugs or alcohol, wilfully disobeying safety rules or direct instructions, or intentionally removing or ignoring safety equipment provided for protection. These exceptions are designed to promote responsible behaviour among workers and ensure that compensation is reserved for genuine cases arising from the course of employment.

2.2.1.5 Compensation Provisions

► The type of injury sustained

Compensation under the Act varies according to the type of injury sustained by the employee. In the case of death, the compensation amount is calculated as 50% of the employee's monthly wages multiplied by an age factor, with a minimum guaranteed amount of ₹1,20,000. For permanent total disability, the compensation is 60% of the monthly wages multiplied by the age factor, again with a minimum of ₹1,20,000. When the injury results in permanent partial disability, the compensation is proportional to the loss of earning capacity. For temporary disability, the employee is entitled to half-monthly payments amounting to 25% of their monthly wages. The calculation of these amounts is based on the employee's last drawn wages and age, using a factor specified in Schedule IV. Additionally, funeral expenses are covered with an extra fixed amount, which is at least ₹5,000.

2.2.1.6 Procedure for Claim

► Quasi-judicial

Claims for compensation are filed before the Commissioner for Employees' Compensation, as provided under Section 19 of the Act. The nature of the proceedings before the Commissioner is quasi-judicial, meaning the Commissioner functions similarly to a civil court by taking evidence, hearing the parties, and issuing binding orders. If a party is dissatisfied

with the Commissioner's decision, they may appeal to the High Court. However, such appeals are allowed only on substantial questions of law and only if the amount in dispute exceeds ₹10,000, according to Section 30 of the Act.

2.2.1.7 Role of Public Administration

The enforcement of the Act is carried out by Labour Commissioners, Inspectors, and other officers appointed by the State. These officials ensure that the provisions of the Act are properly implemented and that employers comply with their obligations. Beyond enforcement, the Act serves an important social justice function by guaranteeing that compensation is paid fairly and promptly to injured workers or their dependants. This promotes justice, equity, and safer labour conditions across workplaces. Furthermore, the Act embodies the welfare state's responsibility by highlighting the State's role in providing social security, making it a crucial aspect of India's administrative commitment to protecting vulnerable workers.

► Officers appointed by the State

2.2.2 Payment of Wages Act, 1936

2.2.2.1 Introduction

The Payment of Wages Act, 1936 was enacted with the aim of regulating the timely payment of wages to certain categories of employed persons. Prior to this law, wage delays and unauthorised deductions were common, especially among industrial and unskilled workers. The Act seeks to prevent such exploitation by laying down rules for the regular, prompt, and full payment of wages without illegal deductions. It initially applied to workers in factories, railways, and industrial establishments, but its scope has been expanded over time. By safeguarding workers' earnings, the Act reinforces the State's role in protecting the economic rights of labourers, thereby advancing the principles of social justice and labour welfare in the framework of public administration.

The primary objective of the Payment of Wages Act, 1936 is to ensure that employees receive their wages regularly and without unjustified delay. It establishes a legal framework for the timely payment of wages by fixing clear timelines and accountability for employers. The Act also seeks to prevent illegal deductions, which were a common form of exploitation before its enactment. Only specific deductions authorised under the Act are permitted. Furthermore, the law provides legal

► Regulating the timely payment of wages



remedies to workers in cases of violations, such as delayed payments or wrongful deductions, by enabling them to file claims before designated authorities. This protective legislation demonstrates the state's commitment to upholding workers' economic rights and promoting fairness in labour relations.

2.2.2.2 Key Definitions

Wages

Wages include all remuneration (whether by way of salary, allowance, or otherwise) expressed in terms of money or capable of being so expressed, which would be payable to a person employed in respect of his employment or of work done in such employment. It excludes bonuses, provident fund contributions, and certain other payments.

Employer

The person responsible for the payment of wages to the employee, usually the owner, manager, or agent of the factory, establishment, or undertaking.

Employee (or Workman)

Any person employed in any factory, industrial establishment, or other specified establishments to do any work for hire or reward.

Manufacturing Process

Any process for making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adapting any article or substance with the aid of power or machinery.

Factory

Any premises where ten or more workers are employed or were employed on any day of the preceding twelve months in manufacturing processes.

Wages Period

The period at the end of which wages are payable, which may be daily, weekly, fortnightly, or monthly as per the Act or the contract of employment.

Authorized Deduction

Any deduction from wages authorised by the Act, such

as fines, absence from duty, damage or loss to goods, house accommodation, etc., and permitted by the government.

2.2.2.3 Scope and Applicability

The Payment of Wages Act, 1936 applies to employees whose wages do not exceed a specific monthly limit—currently ₹24,000 per month, or a higher amount as may be notified by the Central Government from time to time. Initially, the Act applied to factories, railways, and certain industrial establishments, but it has since been extended to cover a broader range of employment settings including mines, docks, transport services, plantations, construction, and workshops. The law is applicable throughout India, including Union Territories.

► Do not exceed a specific monthly limit

Importantly, the Act empowers the “appropriate government” (Central or State) to notify and bring other establishments within its ambit based on the nature of employment and the need for protection. Thus, the Act offers a flexible and expandable legal shield for wage protection in both the organised and semi-organised sectors, reinforcing the State’s regulatory role in ensuring fair labour practices.

2.2.2.4 Responsibility for Payment of Wages

Under Section 3 of the Act, the primary responsibility for the payment of wages lies with the employer. This includes not just the owner but also other designated persons such as managers, contractors, or supervisors who are entrusted with overseeing the workforce. In a factory, the person named as manager under the Factories Act, 1948 is responsible. In an industrial or other establishment, the person with supervisory control is held accountable. For railways, the railway administration must nominate a person responsible for wage payments.

► Lies with the employer

Even if a contractor is engaged, the Act holds the employer ultimately accountable if the contractor fails to pay wages. This ensures that workers are not left unpaid due to outsourcing or delegation. The provision underscores the State’s commitment to holding employers accountable and ensuring a clear chain of responsibility in wage administration.

2.2.2.5 Time and Mode of Payment

The Act lays down strict rules to ensure timely payment of wages. As per Section 5, wages must be paid:



- Before the 7th day of the next month in establishments with less than 1,000 employees, and
- Before the 10th day in establishments with 1,000 or more employees.

In cases of termination of employment, wages must be paid within two working days of dismissal, resignation, or removal. These rules apply to both ongoing employees and those whose services have ended, ensuring that no worker is left unpaid for long periods.

As per Section 6, wages must be paid in current coin, currency notes, by cheque, or directly credited to the employee's bank account. The government may mandate non-cash payment methods (like bank transfer) for specific sectors through notification.

► Within two working days

This section of the Act emphasises the State's role in preventing exploitation and wage delays, especially for workers in vulnerable and informal sectors.

2.2.2.6 Permissible Deductions

The Act strictly regulates the types of deductions that can be made from an employee's wages. As per Section 7, no deduction is allowed unless it is expressly authorised under the Act. This is to prevent unfair or arbitrary wage cuts by employers.

The permissible deductions include:

- Fines for acts or omissions approved by the government.
- Deductions for absence from duty, proportionate to the period of absence.
- Deductions for damage or loss caused by the employee's negligence or default.
- Deductions for housing, amenities, or services accepted by the employee.
- Statutory deductions, such as income tax, provident fund contributions, and court orders.
- Deductions for co-operative society payments, insurance premiums, loan recoveries, and authorised savings schemes, with the employee's written consent.

To protect workers, the Act also caps total deductions:

- Not more than 50% of wages in most cases.
- Up to 75% if part of the deductions is for co-operative societies.

This system promotes transparency and accountability, ensuring that employees receive their rightful earnings while still allowing reasonable recoveries for specific purposes.

2.2.2.7 Claims and Penalties

The Payment of Wages Act, 1936 provides a legal mechanism for employees to file claims in cases of unauthorised deductions or delayed payments. According to Section 15, workers—or their representatives—can approach an appointed authority (such as a Labour Commissioner, Regional Labour Officer, or a Presiding Officer of a Labour Court) to seek redress.

The authority has the power to:

- Order refund of wrongly deducted wages or payment of delayed wages.
- Award compensation:
 - o Up to 10 times the deducted amount.
 - o Up to ₹3,000 (not less than ₹1,500) in case of delay, even if the amount is later paid.

To discourage misuse, the Act also allows penalties for malicious or false claims, and similarly, fines may be imposed on employers for repeated or serious violations. Under Section 20, offences can attract fines ranging from ₹1,500 to ₹7,500, and repeat offences can lead to heavier fines or even imprisonment.

► Legal mechanism for employees

This provision ensures that workers have access to justice and that employers are held accountable, reinforcing the State's role in ensuring economic fairness and legal compliance in labour relations.

2.2.2.8 Role of Public Administration

The effective implementation of the Payment of Wages Act, 1936 relies heavily on the machinery of public administration. Key functionaries such as Labour Commissioners, Inspectors, and Wage Authorities are appointed by the appropriate government to monitor compliance, conduct inspections, and adjudicate disputes under the Act.

Inspectors are empowered to enter premises, examine



records, and investigate complaints related to wage payments. They also play a preventive role by educating employers and workers about their rights and responsibilities. Furthermore, quasi-judicial authorities like Labour Courts or Regional Labour Commissioners resolve wage-related claims, making the administrative process more accessible and efficient.

► Commitment to economic justice

Through this Act, the State demonstrates its commitment to economic justice, protection of workers' rights, and the promotion of lawful labour practices. It serves as a vital example of how public administration functions as a tool for enforcing social legislation and ensuring that vulnerable employees are not denied their rightful dues.

2.2.3 Minimum Wages Act, 1948

2.2.3.1 Introduction

The Minimum Wages Act, 1948 was enacted to provide a legal framework for fixing minimum rates of wages for workers employed in certain scheduled employments. The purpose was to prevent the exploitation of labour, especially in unorganised and low-paid sectors, by ensuring a minimum income necessary for a basic standard of living. This law empowers both the Central and State Governments to fix and periodically revise wages, taking into account factors like the cost of living and nature of employment. The Act is rooted in the Directive Principles of State Policy, particularly Article 43 of the Constitution, which urges the State to secure a living wage and decent working conditions for all workers. It reflects the State's responsibility to promote social justice and economic welfare through legislative action.

► Framework for fixing minimum rates

The primary objective of the Minimum Wages Act, 1948 is to ensure fair and adequate remuneration to workers employed in scheduled employments by setting legally enforceable minimum rates of wages. This law is designed to safeguard workers from exploitation, especially in sectors where labour is informal, unorganised, or vulnerable. It provides a framework for both Central and State Governments to fix minimum wages for various categories of work—whether skilled, semi-skilled, or unskilled—and to revise them periodically based on economic conditions and cost of living. Another significant aim is to reduce wage inequalities and ensure that workers receive at least the bare minimum required for subsistence and human dignity. The Act also supports the broader goal of the Indian

Constitution to achieve social and economic justice, particularly through Directive Principles like Article 43, which emphasise the State's duty to secure a living wage for all citizens.

2.2.3.2 Key Definitions

The Minimum Wages Act, 1948 provides specific definitions in Section 2, which are crucial for understanding the application and scope of the law:

Minimum Wages: The lowest wage fixed by the appropriate government for a particular category of work, below which it is illegal to pay. It may be fixed for time work (hourly, daily, or monthly) or piece work (per unit of output).

- **Scheduled Employment:** Any employment specified in the Schedule of the Act. These include occupations like agriculture, construction, mining, textile work, and other industries where wages need legal protection.
- **Employer:** Any person who employs individuals directly or indirectly, including contractors, government departments, and local authorities responsible for wage payments.
- **Employee:** A person employed in scheduled employment to do any skilled, semi-skilled, or unskilled work, whether manual or clerical, and whether the employment is directly by the employer or through an agent.
- **Appropriate Government:** Refers to the Central Government for scheduled employments under its jurisdiction (like railways, mines, etc.) and to the State Government for other scheduled employments within the state.
- **Wages:** Includes all remuneration payable to an employee in terms of employment, but excludes certain benefits like house rent allowance, bonuses not forming part of wages, and employer contributions to pension or provident funds.

2.2.3.3 Scope and Applicability

The Minimum Wages Act, 1948 applies to employees working in scheduled employments, as notified by the Central or State Governments. These employments are listed in the Schedule of the Act and cover sectors like agriculture, construction, mining, textiles, and small-scale industries, where workers are often vulnerable to low wages and poor working conditions. The Act is applicable throughout India, and its implementation depends on whether the employment falls under central or state jurisdiction.



► Scheduled employments

Importantly, the Act covers all categories of labour—skilled, semi-skilled, unskilled, and clerical—and applies regardless of the method of wage payment (time-based or piece-based) or the nature of the employment contract (written or oral). The appropriate government can add new employments to the Schedule when it finds that workers in a particular industry are not being paid fair wages.

Thus, the Act provides a flexible and inclusive framework to protect wage earners in both organised and unorganised sectors, especially in areas where there is no strong bargaining power or union representation.

2.2.3.4 Fixation and Revision of Wages

The Minimum Wages Act, 1948 empowers the appropriate government (Central or State) to fix the minimum rates of wages for employees engaged in scheduled employments. As per Section 3, the government may fix:

- Minimum time rates (hourly, daily, monthly),
- Piece rates (per unit of output),
- Guaranteed time rates, and
- Overtime rates.

The wage rates may differ based on factors such as the type of employment, skill level, location, and nature of work (e.g., rural vs. urban). Once fixed, these rates become legally binding, and no employer can pay less than the notified minimum.

Governments are also required to review and revise the minimum wage rates at intervals not exceeding five years. However, in practice, revisions may occur more frequently in response to changes in the cost of living, inflation, and economic conditions. The process for fixation or revision may involve either:

► Review and revise the minimum wage

1. Committee Method: Expert committees are appointed to recommend wage rates after studying conditions.
2. Notification Method: Draft proposals are published inviting public objections/suggestions before finalisation.

This mechanism ensures that wages remain fair and responsive to changing socio-economic realities, and that the State fulfils its role in protecting the livelihood of workers.

2.2.3.5 Factors Considered in Wage Fixation

When fixing or revising minimum wages under the Minimum Wages Act, 1948, the appropriate government considers several economic and social factors to ensure that the wage is fair, adequate, and suited to the local context. These factors include:

► Economic and social factors

- **Cost of Living:** The prevailing prices of essential goods and services (food, clothing, shelter) are a primary consideration. Often, a Cost-of-Living Index is used to calculate appropriate wage levels.
- **Nature of Work:** The type of employment—whether it is skilled, semi-skilled, or unskilled—affects the minimum wage. More complex or physically demanding tasks usually warrant higher rates.
- **Working Conditions:** Hazardous, outdoor, or physically intensive jobs may require a higher wage to account for health and safety risks.
- **Local Economic Conditions:** Wages may vary between urban and rural areas, or between developed and backward regions, depending on the standard of living and labour supply.
- **Productivity and Industry Capacity:** The economic condition of the industry and its ability to pay wages are also considered, especially to balance worker welfare with industry sustainability.

These considerations ensure that the minimum wage reflects a fair standard of living and contributes to the broader goals of social justice and inclusive economic development.

2.2.3.6 Working Hours and Rest

The Minimum Wages Act, 1948 not only ensures fair wages but also seeks to regulate working hours and rest periods to protect the health and well-being of workers. As per Section 13 of the Act:

► Health and well-being of workers

- The normal working day is to be fixed by the appropriate government and typically should not exceed 9 hours a day.
- The Act provides for a rest interval during the working day, ensuring that continuous work does not strain the worker physically or mentally.
- Every employee is entitled to a weekly day of rest, usually one day in seven, often Sunday unless otherwise notified.
- For any work done beyond the normal working hours, the employee is entitled to overtime wages at a rate not less than twice the ordinary rate of wages.



These provisions ensure that while workers earn a minimum guaranteed income, they are also protected from excessive work hours and given adequate rest, which supports productive and humane labour practices.

2.2.3.7 Enforcement Mechanism

To ensure the effective implementation of the Minimum Wages Act, 1948, the law provides for a structured enforcement mechanism under Sections 19 to 21. The appropriate government appoints Inspectors and other officers to monitor compliance with the Act's provisions.

Key elements of the enforcement system include:

- **Appointment of Inspectors:** Empowered to enter establishments, examine records, interview employees, and ensure that minimum wages and working conditions are being followed.
- **Maintaining Records:** Employers are required to maintain registers and records of wage payments, hours worked, and overtime performed. Inspectors can demand access to these documents.
- **Claims and Complaints:** If an employee is paid less than the minimum wage or denied due benefits like overtime or rest days, they can file a claim before an Authority appointed under the Act (usually a Labour Commissioner or Magistrate). The authority may order payment of the shortfall along with compensation (up to 10 times the amount due).
- **Time Limits:** Claims must generally be filed within six months, although delays may be condoned with sufficient cause.

► Officers to monitor compliance

This enforcement framework empowers the State to actively monitor employer compliance, protect labour rights, and resolve disputes, thereby ensuring the wage security and dignity of work envisioned by the Act.

► Punishments for non-compliance

2.2.3.8 Penalties and Offences

To ensure that the provisions of the Minimum Wages Act, 1948 are taken seriously by employers, the Act prescribes penalties and punishments for non-compliance, under Sections 22 to 22E. Key offences and penalties include:

- **Paying less than the minimum wage or violating working hours and conditions:** Punishable with imprisonment of up to 6 months or a fine of up to ₹500, or both.

- Failure to maintain required records or registers or obstruction of an Inspector: Can lead to a fine of up to ₹500.
- Repeat offences: If an employer commits the same offence again within 5 years, they may face enhanced penalties, including higher fines and longer imprisonment.

The Act also provides protection against frivolous claims by penalising employees or representatives who file malicious or vexatious complaints.

These penal provisions strengthen the enforcement of the Act by acting as a deterrent and reaffirming the State's commitment to upholding wage justice and protecting vulnerable workers.

Summarized Overview

Unit 2 focuses on three foundational wage-related legislations in India—the Employees' Compensation Act, 1923, the Payment of Wages Act, 1936, and the Minimum Wages Act, 1948. The Compensation Act ensures financial relief to workers injured or deceased in the course of employment. The Payment of Wages Act safeguards timely wage disbursement and prohibits unlawful deductions, while the Minimum Wages Act guarantees a basic living wage for employees in scheduled employments. Together, these laws embody the State's commitment to labour justice, economic fairness, and social protection. They are supported by robust administrative frameworks that include claims procedures, penalties for violations, and enforcement mechanisms to uphold workers' rights and promote safe, equitable labour practices across sectors.

Self-Assessment

1. Critically examine the key provisions and welfare objectives of the Employees' Compensation Act, 1923. How does it address the needs of vulnerable workers?
2. Discuss the regulatory framework under the Payment of Wages Act, 1936. How does the Act prevent wage-related exploitation in industrial establishments?
3. Evaluate the significance of the Minimum Wages Act, 1948 in ensuring fair labour standards. What challenges exist in its enforcement?
4. Explain the role of public administration in the implementation and enforcement of wage and compensation laws in India. Use examples from Unit 2 legislations.
5. Compare the objectives, scope, and enforcement mechanisms of the Employees' Compensation Act and the Minimum Wages Act. How do they complement each other in promoting labour welfare?



Assignments

1. What role do Labour Courts and Industrial Tribunals play in protecting workers' rights?
2. Describe how conciliation processes prevent escalation of industrial disputes.
3. Explain how lay-off and retrenchment provisions balance employer flexibility and worker security.

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Suggested Reading

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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UNIT 3

Social Security Legislation

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the objectives, scope, and benefits of the Employees' State Insurance (ESI) Act, 1948
- ▶ examine the structure, schemes, and contribution mechanisms under the EPF Act, 1952
- ▶ explore the legal provisions, eligibility criteria, and benefits under the Maternity Benefit Act, 1961
- ▶ analyse the role of public administration in enforcing and managing social security legislations in India

Background

India's journey toward becoming a welfare state has been significantly shaped by its social security legislations, enacted to protect the working population from economic vulnerabilities arising from sickness, maternity, injuries, old age, and death. The post-independence labour framework prioritised inclusive growth and equitable labour rights through laws like the Employees' State Insurance Act (1948), Employees' Provident Fund Act (1952), and Maternity Benefit Act (1961). These legislations were designed not only to secure the financial well-being of employees and their families but also to institutionalise the State's responsibility in promoting industrial peace, social justice, and inclusive development. Public administration plays a critical role in implementing, monitoring, and enforcing these protective frameworks through multi-tiered agencies, ensuring efficient service delivery, compliance, and grievance redressal.

Keywords

ESI Act, EPF Act, Maternity Benefits, Social Security, Medical Benefits

2.3.1 The Employees' State Insurance (ESI) Act, 1948

The Employees' State Insurance (ESI) Act, 1948 was enacted as a pioneering piece of social legislation to provide social security and health insurance to employees in industrial and commercial sectors. It marked a major step towards building a welfare state in India by ensuring medical care and income protection during periods of sickness, maternity, employment injury, or death. The Act introduced a comprehensive benefits package including medical, sickness, maternity, disablement, and dependents' benefits. It applies initially to factories and certain establishments and can be extended to other sectors by the government. The Act is administered by the Employees' State Insurance Corporation (ESIC), a statutory body under the Ministry of Labour and Employment. Through this law, the State assumes a protective role, offering financial and health-related support to workers and their families, particularly in times of vulnerability.

► Can be extended to other sectors

The primary objective of the Employees' State Insurance Act, 1948 is to provide a comprehensive system of social security to employees and their dependants in times of health-related and financial emergencies. The Act is designed to protect workers against the risks of sickness, maternity, disablement, and death due to employment injury. It ensures that insured workers receive cash benefits, medical care, and family support, reducing their economic dependency and vulnerability during periods of crisis.

► Provide social security and health insurance

Another key objective is to create a contributory insurance model, where both employers and employees make periodic payments to a common fund managed by the Employees' State Insurance Corporation (ESIC). This fund is used to provide a wide range of benefits and maintain medical infrastructure like hospitals and dispensaries.

Through these mechanisms, the Act aims to achieve social justice, promote industrial harmony, and support the constitutional vision of a welfare state that safeguards the well-being of its labour force.

2.3.1.1 Key Definitions

Understanding key terms under the Employees' State Insurance Act, 1948 is essential for interpreting the scope and benefits of the law. The following are some important definitions found in Section 2 of the Act:

1. **Employee:** As per Section 2(9), an employee means any person employed for wages in or in connection with the work of a factory or establishment to which this Act applies. It includes those hired directly or through an agency and covers administrative, technical, and clerical staff. It excludes members of the armed forces.
2. **Employer:** Refers to the owner or occupier of the factory or establishment and includes the managing agent or any person responsible for supervision and control of employees.
3. **Wages:** Defined under Section 2(22), it includes all remuneration paid or payable in cash to an employee, including allowances and benefits like house rent allowance, but excludes contributions to provident funds, gratuity, and travel allowance.
4. **Contribution:** The combined amount payable to the ESI fund by both the employer and the employee, calculated as a percentage of wages.
5. **Factory:** As per Section 2(12), it includes any premises where 10 or more persons are employed, and a manufacturing process is carried out with or without power.
6. **Insured Person:** An employee who is covered under the ESI Scheme and is entitled to receive benefits.
7. **ESIC (Employees' State Insurance Corporation):** The statutory corporate body established under the Act to administer the ESI Scheme, including contribution collection and benefit delivery.

These definitions are the legal foundation of the Act, helping to identify eligibility, responsibility, and entitlements under the ESI framework.

2.3.1.2 Scope and Applicability

The Employees' State Insurance Act, 1948 applies to all

factories and establishments (such as shops, hotels, cinemas, road transport, and educational institutions) where 10 or more persons are employed, and the establishment is located in an area notified by the appropriate government. The Act originally applied to factories using power and employing a minimum of 10 workers, but it has been extended over time to cover a wider range of establishments and sectors.

It is applicable across most states and union territories of India, and coverage is compulsory once the conditions are met. The Act applies to employees drawing wages up to a prescribed ceiling (currently ₹21,000 per month, or ₹25,000 for persons with disabilities).

► Wider range of establishments

Importantly, both Central and State Governments have powers to extend its provisions to new classes of establishments or areas depending on evolving labour market needs. Therefore, the Act has a dynamic and flexible scope, making it one of the most comprehensive social insurance systems in India.

By mandating coverage for both public and private sector employees, the Act significantly contributes to the State's role in providing social protection and advancing labour welfare goals.

2.3.1.3 Benefits under the Act

The Employees' State Insurance Act, 1948 provides a comprehensive package of social security benefits to employees and their dependants. These benefits are aimed at ensuring financial and medical assistance in times of illness, injury, maternity, disability, or death. The key benefits under the Act include:

1. Medical Benefit

- Provides free medical care to the insured person and their dependents through ESI hospitals, dispensaries, and outpatient clinics.
- Includes medical treatment for sickness, maternity, and employment injuries.

2. Sickness Benefit

- Cash compensation for up to 91 days in a year, for insured persons who are temporarily unable to work due to sickness.
- Paid at 70% of the average daily wages for the period of incapacity.



3. Maternity Benefit

- Paid to female employees who are unable to work due to pregnancy or childbirth.
- Provides 26 weeks of paid maternity leave at a rate of 100% of wages.

4. Disablement Benefit

- Temporary Disablement Benefit: Paid in case of work-related injuries leading to temporary disability, for as long as the employee is unable to work.
- Permanent Disablement Benefit: A pension paid to employees who suffer permanent injury or disability due to employment-related accidents.

5. Dependants' Benefit

- In the case of the death of the insured employee due to an employment-related injury or disease, dependents (spouse, children, etc.) receive a pension.
- Paid at rateable proportions to the dependents based on the deceased's wages.

6. Funeral Benefit

A fixed lump sum amount to cover the funeral expenses of the deceased insured person, paid to the dependents or nominee.

These benefits help mitigate the financial burden on workers and their families, ensuring that they receive necessary assistance during periods of vulnerability. The ESIC (Employees' State Insurance Corporation) administers these benefits, ensuring healthcare access and economic support for workers across various sectors.

2.3.1.4 Contributions

The Employees' State Insurance Scheme under the ESI Act, 1948, is a self-financing social security scheme where benefits are funded by contributions from both employers and employees.

Key features include:

1. Employer's Contribution: The employer contributes a prescribed percentage of the employee's wages. As per current rules, this is 3.25% of the total wages paid/payable.

► From both employers and employees.

2. **Employee's Contribution:** The employee contributes 0.75% of their wages. Employees earning less than ₹176 per day are exempt from this contribution, but employers must still contribute.
3. **Wage Ceiling for Coverage:** Employees drawing wages up to ₹21,000 per month (₹25,000 for persons with disabilities) are covered under the scheme.
4. **Payment Process:** Contributions are to be deposited monthly to the Employees' State Insurance Fund, which is managed by the Employees' State Insurance Corporation (ESIC).

This contributory structure ensures that the scheme remains financially sustainable while providing wide-ranging medical and social security benefits to insured persons and their families. It also reflects a shared responsibility between employer and employee for social welfare.

2.3.1.5 Administration

The Employees' State Insurance Act, 1948, is administered by the Employees' State Insurance Corporation (ESIC), an autonomous statutory body under the Ministry of Labour and Employment, Government of India.

Key features of the administrative structure include:

1. **Employees' State Insurance Corporation (ESIC):** The Employees' State Insurance Corporation (ESIC) is established under Section 3 of the Act and is responsible for implementing and managing the ESI Scheme across the country. It comprises representatives from the central and state governments, employers, employees, medical professionals, and members of Parliament, ensuring a broad-based governance structure.
2. **Director General:** Appointed as the Chief Executive Officer of the ESIC and is responsible for day-to-day operations.
3. **Standing Committee:** The Employees' State Insurance Corporation (ESIC) functions as the executive body responsible for overseeing the finances, policy execution, and administration of the ESI Scheme. It ensures effective implementation and management of social security benefits for insured workers.



4. **Medical Benefit Council:** The Medical Benefit Council advises the Employees' State Insurance Corporation on medical matters related to the ESI Scheme. It includes representatives from medical services at both the central and state levels to provide expert guidance on healthcare issues affecting insured workers.
5. **State and Regional Offices:** Regional and local ESIC offices assist in the implementation of the ESI Scheme at the grassroots level. They oversee the functioning of hospitals and dispensaries, manage claim processing, and ensure employer compliance with the scheme's provisions.

This multi-tiered administrative setup ensures that the scheme is professionally managed, responsive to regional needs, and aligned with the overall goals of labour welfare and social security. The ESI framework stands as a strong example of public administration in action, combining central policy direction with decentralised delivery.

2.3.1.6 Penalties and Offences

To ensure effective enforcement, the Employees' State Insurance Act, 1948, prescribes penalties for non-compliance and offences under various provisions of the Act. These legal provisions act as a deterrent and encourage timely compliance by employers.

Key offences and penalties include:

1. **Failure to Pay Contributions:** If an employer fails to pay ESI contributions, they are liable to pay the arrears with interest and may also face penal action, including imprisonment for up to 3 years and a fine of up to ₹10,000, depending on the severity of the default.
2. **False Statements or Fraud:** Any person who makes false declarations or misrepresents facts to avoid payment or claim benefits unlawfully may be imprisoned for up to 6 months or fined up to ₹2,000, or both.
3. **Obstruction of Inspectors:** Obstructing an ESI inspector from performing official duties, such as examining records or entering premises, is a punishable offence.
4. **Repeat Offenders:** For repeated violations, stricter penal-

ties, including longer imprisonment and higher fines, may apply.

5. **Employer's Liability:** The employer remains liable for employee contributions even if they fail to deduct it from the wages. Deliberate default can lead to prosecution.

These provisions help protect the integrity of the ESI system, uphold worker rights, and reinforce the accountability of employers. They also underline the State's responsibility to enforce compliance through regulatory oversight and legal recourse.

2.3.2 Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, was enacted to provide a statutory framework for the post-retirement financial security of employees in India's industrial and commercial sectors. It introduced a system of compulsory savings through the establishment of three key schemes:

- the Employees' Provident Fund (EPF),
- the Employees' Pension Scheme (EPS), and
- the Employees' Deposit Linked Insurance Scheme (EDLI).

► Post-retirement
financial security

This Act marked a significant step in institutionalising social security in India. It mandates employer and employee contributions to a central fund that ensures long-term income stability for workers after retirement or in case of permanent disability and also supports their families in case of death. Administered by the Employees' Provident Fund Organisation (EPFO) under the Ministry of Labour and Employment, it reflects the State's commitment to economic justice and welfare through protective labour legislation.

2.3.2.1 Key Definitions

Understanding the core terms under the EPF Act, 1952, is essential for grasping its application and scope. Some important definitions under Section 2 include:

1. **Employee [Section 2(f)]:** Refers to any person employed for wages in any kind of work—manual, clerical, skilled,



or unskilled—in connection with the work of a factory or establishment. It includes employees hired directly or through a contractor.

2. Employer [Section 2(e)]: Refers to the person with ultimate control over the affairs of the establishment. In the case of a company, it means the managing director or manager; in government establishments, it refers to the designated authority.
3. Wages [Section 2(b)]: Includes basic pay, dearness allowance, and retaining allowance (if any). However, it excludes bonuses, house rent allowance, overtime, and similar additional payments.
4. Fund: Refers to the Employees' Provident Fund, Employees' Pension Fund, and the Employees' Deposit Linked Insurance Fund established under the Act.
5. Scheme: Refers to the specific social security schemes framed under the Act –
 - EPF Scheme, 1952
 - EPS Scheme, 1995
 - EDLI Scheme, 1976

2.3.2.2 Scope and Applicability

The EPF Act, 1952, applies to establishments engaged in industries specified in Schedule I of the Act and employing 20 or more persons. These include factories, mines, plantations, and various industrial, commercial, and service-sector undertakings. The Central Government also holds the power to extend the Act to any other establishment or class of establishments, even if they are not listed in the Schedule.

► Schedule I of the Act

Once an establishment becomes covered under the Act, it continues to remain covered, even if the number of employees later falls below 20. The Act is applicable throughout India, including Jammu & Kashmir (since the abrogation of Article 370), and extends to both public and private sectors.

In addition to establishments, the Act also applies to all eligible employees drawing wages up to the notified ceiling, which is currently ₹15,000 per month. However, employees earning above this amount may also be enrolled with mutual

consent of the employee and employer.

Through its broad and expanding scope, the Act ensures financial security coverage for millions of salaried workers, reflecting the State's role in shaping inclusive and protective labour policies.

2.3.2.3 Schemes under the Act

The EPF Act, 1952 provides for the creation and administration of three key social security schemes, each designed to address different aspects of workers' financial welfare. These are:

1. Employees' Provident Fund Scheme, 1952 (EPF): The Employees' Provident Fund (EPF) is a retirement savings scheme in which both the employer and employee make monthly contributions. The accumulated fund earns compound interest and becomes payable upon the employee's retirement, resignation, or death. Additionally, employees are allowed to make partial withdrawals from the fund for specific purposes such as housing, marriage, or medical emergencies.

▶ Monthly contributions

2. Employees' Pension Scheme, 1995 (EPS): The Employees' Pension Scheme (EPS) provides a monthly pension to employees who have completed a minimum of 10 years of service upon retirement. In the event of the employee's death, the scheme offers a survivor pension to eligible family members. A portion of the employer's contribution to the Employees' Provident Fund (EPF) is diverted to finance this pension scheme.

▶ Monthly pension

3. Employees' Deposit Linked Insurance Scheme, 1976 (EDLI): The Employees' Deposit Linked Insurance Scheme (EDLI) offers life insurance coverage to employees as part of their EPF membership. In the event of an employee's death during service, the nominee or legal heir receives a lump sum payment, which is calculated based on the employee's last drawn wages and length of service. Notably, this benefit is provided without requiring any separate premium payment from the employee.

▶ Life insurance coverage

These schemes together form a comprehensive social protection package, helping employees secure their future and offering financial stability to their families in case of death, retirement, or disability. Their integration under one Act ensures efficiency, transparency, and public accountability through centralised management by the Employees' Provident

Fund Organisation (EPFO).

2.3.2.4 Contributions

Under the EPF Act, 1952, both the employer and the employee are required to contribute to the Employees' Provident Fund every month, ensuring a regular build-up of savings for the employee's future. The key aspects are as follows:

1. Standard Contribution Rate

- 12% of wages is contributed by the employer.
- 12% of wages is contributed by the employee.
- "Wages" include basic pay, dearness allowance, and retaining allowance, if any.

2. Allocation of Employer's Share

- From the employer's 12% contribution:
- 8.33% is allocated to the Employees' Pension Scheme (EPS).
- The balance 3.67% goes to the Employees' Provident Fund (EPF).

Additionally, the employer contributes to the Employees' Deposit Linked Insurance Scheme (EDLI) and administrative charges.

3. Voluntary Provident Fund (VPF)

- Employees may choose to contribute more than the statutory 12% under the Voluntary Provident Fund.

This additional amount earns the same rate of interest as the EPF and is tax-exempt within prescribed limits.

4. Government Support

For certain sectors and under specific schemes (like PMRPY), the Central Government may contribute to the employee's pension account for a limited time to support employment generation.

This contribution structure promotes financial discipline, ensures retirement readiness, and reflects a shared responsibility between employers and employees for long-term economic security.

2.3.2.5 Administration

The Employees' Provident Funds and Miscellaneous

Provisions Act, 1952 is administered by the Employees' Provident Fund Organisation (EPFO), an autonomous body under the Ministry of Labour and Employment, Government of India. The EPFO is responsible for implementing the provisions of the Act, maintaining accounts, collecting contributions, and disbursing benefits under the three main schemes—EPF, EPS, and EDLI.

Key Administrative Bodies:

1. **Central Board of Trustees (CBT) [Section 5A]:** The Central Board of Trustees (CBT) is the apex decision-making body of the Employees' Provident Fund Organisation (EPFO). It is chaired by the Union Minister of Labour and Employment and includes representatives from the Central and State Governments, employers, and employees, ensuring balanced and inclusive governance of the provident fund system.
2. **Executive Committee:** The Executive Committee assists the Central Board of Trustees in administrative and financial matters. It is responsible for handling policy execution and making operational decisions to ensure the smooth functioning of the Employees' Provident Fund Organisation (EPFO).
3. **Provident Fund Commissioners:** Appointed at central, regional, and sub-regional levels to supervise implementation, compliance, inspections, and grievance redressal.

Functions of the EPFO:

- Collection and investment of provident fund contributions.
- Maintenance of individual employee accounts.
- Disbursement of claims related to withdrawal, pension, and insurance.
- Ensuring employer compliance through inspection and enforcement.
- Running digital platforms (like EPFO Unified Portal, UMANG app) for ease of access.

This administrative structure enables efficient service delivery, transparency, and social accountability. It demonstrates the State's active role in managing one of the largest social



security organisations in the world, covering over 10 crore beneficiaries.

2.3.2.6 Penalties and Offences

To ensure compliance with its provisions, the EPF Act, 1952 prescribes strict penalties and punishments for employers who fail to fulfil their obligations. These penalties serve as a deterrent against non-compliance and uphold the integrity of the provident fund system.

1. Failure to Pay Contributions

Employers who fail to pay contributions (EPF, EPS, or EDLI) are liable to:

- Pay interest on delayed payments.
- Pay damages (penalty) ranging from 5% to 25% of the arrears, depending on the duration of the default (as per Para 32A of the EPF Scheme).

2. False Statements or Records

Making false declarations, concealing facts, or falsifying records to evade payments or mislead authorities is a punishable offence.

- Penalty: Imprisonment of up to 1 year or fine of up to ₹5,000, or both.

3. Repeat or Wilful Offences

For wilful default or repeated offences, the Act provides for enhanced punishment:

- Imprisonment of up to 5 years and a fine of up to ₹25,000 or more, especially in cases of fraud or failure to deposit deducted employee contributions.

4. Offences by Companies [Section 14A]

If a company commits an offence, the persons in charge (like directors, managers) are held personally liable unless they can prove the offence was committed without their knowledge or despite due diligence.

► Personally liable

These provisions strengthen the enforcement capabilities of the EPFO and reflect the State's legal authority to protect workers' savings and ensure the proper functioning of a national social security system.

2.3.3 Maternity Benefit Act, 1961

The Maternity Benefit Act, 1961 was enacted to regulate the employment of women during the pre- and post-natal periods and to ensure that they receive adequate maternity leave with wages, medical support, and job protection. The Act guarantees that no woman is compelled to work under conditions that may harm her health or the health of her child and lays down a legal framework for safe and dignified maternity leave.

► Employment of women during the pre- and post-natal periods

It applies to factories, mines, plantations, shops, and other establishments employing 10 or more persons, and has been extended over time to a wide range of workplaces. The law upholds the constitutional values of equality and welfare, reflecting the State's commitment to gender justice, as envisioned in the Directive Principles of State Policy and the fundamental rights of working women.

2.3.3.1 Objectives

The Maternity Benefit Act, 1961 was enacted with the primary objective of protecting the employment and health of women during maternity. It aims to ensure that women do not suffer income loss or job insecurity due to pregnancy or childbirth. By providing paid leave, medical allowances, and job protection, the Act safeguards the rights of working women in both public and private sectors.

Key goals include:

1. To ensure that every eligible woman receives maternity leave with full wages, allowing her to recover and care for her newborn without financial hardship.
2. To prevent employers from dismissing or discriminating against women on the grounds of pregnancy or maternity leave.
3. To establish a uniform legal framework across sectors for protecting maternal health and promoting gender equality in the workplace.

► Employment and health of women during maternity

Through these measures, the Act contributes to labour welfare, supports the constitutional mandate of equal opportunity, and advances public health and family well-being.



2.3.3.2 Key Definitions

Understanding the terms used in the Maternity Benefit Act, 1961, is essential for interpreting its scope and application. Key definitions from Section 3 of the Act include:

1. **Woman:** Refers to a female employee, whether employed directly or through an agency, for wages in any establishment to do skilled, unskilled, manual, or clerical work.
2. **Employer:** The person responsible for the supervision and control of employees. In a factory, it may be the owner or occupier; in a government office, it is the designated authority; and in other establishments, it is the person who has ultimate control over the affairs.
3. **Maternity Benefit:** Refers to the payment made to a woman at the rate of her average daily wages during the period of her maternity leave.
4. **Establishment:** Any place where ten or more persons are employed, including factories, mines, plantations, shops, or other notified establishments.
5. **Wages:** Include basic pay, dearness allowance, and cash allowances, but exclude bonuses, overtime, and any contributions to pension or provident funds.

These definitions provide the legal foundation to identify who is entitled, who is responsible, and what benefits are due under the Act, ensuring uniform protection and enforcement across sectors.

2.3.3.3 Scope and Applicability

The Maternity Benefit Act, 1961, applies to every establishment in which ten or more persons are employed or were employed on any day in the preceding twelve months. This includes:

- Factories, mines, and plantations.
- Shops and commercial establishments.
- Government establishments, where provisions of the Employees' State Insurance Act, 1948, do not apply.
- Private sector offices, educational institutions, and contract-based employment, provided the eligibility criteria are met.

► Applies across India

The Act applies across India, and the State Governments are empowered to notify additional classes of establishments as needed. Importantly, if a woman is already covered under the ESI Act and entitled to maternity benefits there, the Maternity Benefit Act will not apply to her.

This wide applicability ensures that a large number of working women across both organised and semi-organised sectors are protected, reinforcing the State's commitment to workplace equity, maternal welfare, and inclusive governance.

2.3.3.4 Eligibility and Benefits

Eligibility

To be eligible for maternity benefits under the Act, a woman must:

- Have worked for at least 80 days in the 12 months immediately preceding the expected date of delivery.
- Be employed in an establishment covered under the Act, including through contractual or temporary arrangements, as long as the 80-day condition is met.

Benefits Provided

1. Maternity Leave

- 26 weeks of paid leave for women having up to two surviving children.
- 12 weeks for women with more than two children.
- Leave can begin up to 8 weeks before the expected delivery date.

2. Adoption Leave

- 12 weeks of leave for a woman who adopts a child below 3 months of age.

3. Surrogacy (Commissioning Mother)

- Entitled to 12 weeks of maternity leave, starting from the date the child is handed over.

4. Medical Bonus

- If pre-natal and post-natal care is not provided by the employer, a medical bonus of ₹3,500 (revised by notification) is payable.

5. Nursing Breaks

- A woman is entitled to two nursing breaks per day until the child reaches the age of 15 months.



6. No Dismissal During Maternity Leave

- Employers are prohibited from dismissing or discharging a woman employee during her maternity leave.
- Any such act is considered unlawful and punishable under the Act.

2.3.3.5 Employer Obligations and Penalties

Employer Obligations

Under the Maternity Benefit Act, 1961, employers have a legal duty to ensure that eligible women receive the full scope of benefits prescribed by the Act. Their key responsibilities include:

1. Prohibiting employment of a woman during the six weeks immediately following delivery, miscarriage, or medical termination of pregnancy.
2. Ensuring timely payment of maternity benefits and any medical bonus due.
3. Granting nursing breaks and other entitlements like leave for illness arising out of pregnancy.
4. Maintaining records related to maternity benefits as prescribed under the Act.
5. Not terminating a woman employee or changing her terms of employment while she is on maternity leave.

These duties ensure that women are not deprived of their legal rights and that workplaces are safe and inclusive during maternity.

Penalties for Non-Compliance

To enforce these obligations, the Act provides penal provisions under Section 21:

An employer who fails to pay maternity benefits or dismisses a woman during her maternity period may face:

- Imprisonment of up to 3 months, or
- A fine of up to ₹5,000, or
- Both.

For repeat offences, the punishment may be enhanced with longer imprisonment terms.

These penalties underscore the State's role in ensuring accountability, and protecting the legal and social rights of working women, particularly in the private and unorganised sectors.

2.3.3.6 Role of Public Administration

The Maternity Benefit Act, 1961, is a vital example of how public administration contributes to social justice, gender equity, and labour welfare. The enforcement and monitoring of the Act are entrusted to Labour Departments under the control of State Governments, working in coordination with the Ministry of Labour and Employment at the central level.

Key administrative functions include:

1. **Appointment of Inspectors:** Labour Inspectors are empowered to visit establishments, examine records, ensure compliance, and investigate complaints from employees.
2. **Awareness and Grievance Redressal:** Public authorities are responsible for conducting awareness drives and providing accessible mechanisms for the redressal of maternity benefit-related disputes and complaints.
3. **Policy Updates and Notifications:** Governments are authorised to notify amendments, update wage ceilings, and expand the Act's applicability to newer sectors (e.g., gig and platform workers in the future).
4. **Linkages with Other Welfare Schemes:** Public administration integrates maternity benefit enforcement with broader programmes such as POSHAN Abhiyaan, National Health Mission, and Social Security Codes, ensuring coordinated delivery of maternal and child welfare.

Summarized Overview

Unit 3 delves into the foundational labour laws that institutionalise social security in India: the ESI Act, EPF Act, and the Maternity Benefit Act. It explores how these legislations provide financial and medical safeguards through structured benefits like insurance, provident funds, pensions, and maternity leave. The ESI Act ensures health and income protection; the EPF Act secures retirement savings and insurance; while the Maternity Benefit Act guarantees paid leave and job security to working women.



Each Act defines roles for employers, employees, and administrative bodies, backed by contribution schemes and legal enforcement. The unit also highlights the active role of public administration in ensuring compliance, equitable service delivery, and policy innovation in the labour welfare domain.

Self-Assessment

1. Discuss the key objectives and benefits of the Employees' State Insurance Act, 1948, and evaluate its role in promoting worker welfare.
2. Examine the structure and schemes under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952. How do these schemes ensure long-term economic security for employees?
3. Critically analyse the provisions and applicability of the Maternity Benefit Act, 1961. How does it promote gender justice and workplace equity?
4. Explain the role of public administration in the implementation and enforcement of social security legislations in India. Use examples from ESI, EPF, and Maternity Benefit Acts.
5. Compare and contrast the contribution mechanisms and benefit structures of the ESI Act and EPF Act. How do they complement each other in ensuring worker protection?

Assignments

1. What are the specific triggers that bring Chapter V-B of the ID Act into application?
2. Discuss how voluntary arbitration can be an alternative to formal dispute adjudication.
3. How does the compensation framework under the ID Act uphold principles of natural justice?

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BLOCK 3

Labour Administration and Regulatory Framework



UNIT 1

Labour Administration in India

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ trace the historical development of labour administration in India
- ▶ understand the structure and functions of the Ministry of Labour and Employment
- ▶ explore the roles of central and state-level labour institutions
- ▶ analyse the constitutional framework and concurrent jurisdiction in labour legislation

Background

Labour administration in India has evolved through colonial, constitutional, and institutional transformations to address the complex needs of a diverse workforce. Rooted in early 20th-century governance models, it gained institutional strength through reforms like the Government of India Act, 1935, and the establishment of key bodies such as the Indian Labour Conference. Post-independence, labour administration was expanded with a focus on tripartism, worker welfare, and industrial peace. The Ministry of Labour and Employment, supported by a network of departments, offices, and autonomous bodies, administers a wide range of responsibilities including enforcement of labour laws, employment services, skill development, and social security. Parallely, State Labour Departments play a vital role in localised enforcement and welfare implementation. Constitutionally, labour is a concurrent subject, enabling both central and state governments to legislate—necessitating cooperative governance for effective labour administration.

Keywords

Concurrent List, Labour Welfare, Ministry of Labour, State Labour Departments

3.1.1 Labour Administration in India

Labour administration in India has evolved through several constitutional and historical phases. Under the Government of India (Amendment) Act, 1919, legislative power concerning labour was mostly vested in the Central Legislature. Provincial Governments could legislate only with the approval of the Governor-General. During this time, labour matters were managed under the Department of Industries and Labour, which also dealt with diverse subjects such as posts, public works, and civil aviation. Other departments, such as Commerce and Railways, managed labour related to their respective sectors.

In the provinces, the labour portfolio was often managed by generalist officials, with no specialised agency for labour administration except in industrially advanced regions. The Whitley Commission (1931) was instrumental in recommending the appointment of Labour Commissioners in provinces, marking a shift toward specialised labour administration.

The Government of India Act, 1935, introduced provincial autonomy and placed labour in the Concurrent List, allowing both the Centre and States to legislate on labour matters. Post-1935, with popular ministries assuming office, labour issues received increased attention. The establishment of the Indian Labour Conference (ILC), Standing Labour Committee (SLC), and Labour Ministers' Conference improved coordination between the Centre and States.

► Pre-independence scenario

During World War II, the Central Government strengthened labour administration to ensure industrial productivity. It appointed Chief Labour Commissioners, Regional Labour Commissioners, Conciliation Officers, and Labour Welfare Advisers. Factory Inspectorates were strengthened, and the Labour Bureau was set up for statistical data collection and publication. Employment services and training institutes were established under the Five-Year Labour Programme (1946).

Post-independence, tripartite labour machinery became formalised, consisting of the ILC, SLC, and various industrial and advisory committees. The Ministry of Labour and Employment today oversees several institutions including the Wage Boards, Steering Groups on Wages, Committees on ILO

► Post-independence formalisation

Conventions, and bodies for workers' education and labour research.

According to the Indian Constitution, both the Union and State Governments share responsibility for enacting and administering labour laws. This is facilitated through three constitutional lists: the Union List, the Concurrent List, and the State List. Labour laws under the Union List are enacted by Parliament, while those in the State List fall under State Legislatures. Laws in the Concurrent List can be enacted by both, but in case of conflict, the Central law prevails.

The following are the principal matters of labour interest enumerated in each of these lists:

Union List

1. Participation in international conferences, associations and other bodies and
2. implementing decisions made thereat;
3. Port quarantine, including hospitals connected therewith, seamen's and
4. marine hospitals;
5. Regulation of labour and safety in mines and oilfields;
6. Industrial disputes concerning union employees;
7. Union agencies and institutions for:
 - professional, vocational or technical training; and
 - the promotion of special studies or research.
8. Enquiries, surveys, and statistics for the purpose of any of the matters in this list.

Concurrent List

1. Economic and social planning;
2. Trade Unions, industrial and labour disputes;
3. Social security and social insurance; employment and un-employment;
4. Welfare of labour, including conditions of work, provident fund, employers' liability, workmen's compensation, invalidity and old age pensions, and maternity benefits;

5. Vocational and technical training of labour;
6. Factories; and
7. Inquiries and statistics for purposes of any of the matters specified in the concurrent list and the state list.

State List

1. Public order;
2. Public health and sanitation, hospitals and dispensaries; and
3. Relief of the disabled and unemployable.

3.1.2 Ministry of Labour and Employment

The Ministry of Labour and Employment is among the oldest and most significant ministries within the Government of India. Its primary role is to safeguard the rights and welfare of workers, especially those from economically weaker, disadvantaged, and marginalised communities. The Ministry strives to ensure a conducive work environment that fosters increased productivity and efficiency. In addition, it plays a crucial role in promoting skill development and managing employment-related services across the country.

► Ensuring conducive workplaces

In alignment with the ongoing economic liberalisation, the Ministry also emphasises labour welfare and the provision of social security benefits for workers in both the organised and unorganised sectors. These goals are pursued through the formulation and enforcement of various labour laws that define and regulate working conditions and employment terms. Since labour is a subject under the Concurrent List of the Indian Constitution, both the Central and State Governments have the authority to legislate on related matters.

Departments of the Ministry

The Ministry is broadly divided into three main departments, each focusing on different aspects of labour administration:

Department of Labour and Employment

► Responsible for labour welfare

The Ministry is responsible for labour welfare, industrial relations, and the enforcement of labour laws. It oversees the administration of key legislation such as the Industrial Disputes Act, Factories Act, Trade Unions Act, Minimum Wages Act, and the Contract Labour (Regulation and Abolition) Act. The



Ministry also handles issues related to industrial disputes, ensures the enforcement of labour standards, and regulates trade unions to maintain harmonious industrial relations.

Department of Employment and Training

The Ministry focuses on employment generation, vocational training, skill development, and placement services. It implements schemes such as the National Career Service (NCS), which connects job seekers with employers through digital platforms. Additionally, the Ministry manages employment exchanges and training institutes aimed at enhancing the employability of youth, while coordinating various programmes under the Skill India Mission to build a skilled workforce.

► Enhancing employability

Department of Social Security and Welfare

The Ministry administers social security schemes and welfare benefits for workers, particularly those in unorganised and hazardous sectors. It oversees key institutions such as the Employees' Provident Fund Organisation (EPFO) and the Employees' State Insurance Corporation (ESIC). The Ministry implements various schemes related to maternity benefits, provident fund, pension, insurance, and employee compensation, while promoting welfare measures for workers in mines, plantations, beedi industries, and other vulnerable sectors.

► Social security schemes and welfare benefits

3.1.2.1 Attached Offices

1. Directorate General of Employment (DGE): The Directorate General of Employment (DGE), functioning under the Ministry of Labour and Employment, serves as the apex body responsible for the formulation and coordination of employment-related programmes at the national level. Based in New Delhi, DGE operates as an attached office of the Ministry. The national employment service is delivered through an extensive network of Employment Exchanges across the country. While DGE is tasked with developing these programmes—particularly in terms of setting uniform policies, procedures, and standards—the routine administration and direct oversight of Employment Exchanges or Career Centres are managed by the respective State Governments and Union Territory Administrations. The Directorate is led by the Additional Secretary (Labour

► Coordination of employment-related programmes

& Employment), who also holds the position of Director General of Employment.

2. Office of Chief Labour Commissioner (Central) [CLC(C)]: The Office of the Chief Labour Commissioner (Central), also referred to as the Central Industrial Relations Machinery, was established in April 1945 following the recommendations of the Royal Commission on Labour in India. Its initial mandate focused on preventing and resolving industrial disputes, ensuring the enforcement of labour laws, and promoting the welfare of workers employed in establishments under the jurisdiction of the Central Government. This organisation emerged from the consolidation of earlier bodies such as the Conciliation Officer (Railways), Supervisor of Railway Labour, and the Labour Welfare Advisor. It began with a modest team that included the Chief Labour Commissioner (Central) based in New Delhi, three Regional Labour Commissioners in Bombay, Calcutta, and Lahore, and eight Conciliation Officers. Over time, especially after Independence, the organisation expanded to meet the demands of increasing industrial activities, broader labour legislation, and greater responsibilities in the field of labour administration.
3. Directorate General of Factory Advice Service and Labour Institutes (DGFASLI): Headquartered in Mumbai, DGFASLI provides technical advice on factory safety and health. It conducts training for factory inspectors and safety officers and publishes safety standards and guidelines to reduce industrial accidents. It also monitors compliance with the Factories Act, 1948, across the country.
4. Labour Bureau: Established in 1946, the Labour Bureau is the principal agency for labour statistics. It publishes reports such as the Annual Survey of Industries, Wage Rates in Rural India, and Industrial Disputes statistics. It also compiles Consumer Price Index numbers used for calculating inflation and wage adjustments.

► Ensuring the enforcement of labour laws

► Technical advice on factory safety

► Labour statistics

3.1.2.2 Subordinate Offices

1. Directorate General of Mines Safety (DGMS): Formed in 1910, DGMS enforces safety regulations to prevent acci-



dents in mines and oil fields. It inspects mines regularly, investigates accidents, and conducts safety audits. DGMS also organises training programmes for miners and safety officers to promote a culture of safety.

2. **Welfare Commissioners:** There are 17 Welfare Commissionerates dedicated to providing social security and welfare services such as housing, education, and healthcare to workers in specified sectors. These Commissionerates work to improve the living and working conditions of workers in mining industries (mica, iron ore, etc.) and hazardous industries like beedi and cinema.

3.1.2.3 Autonomous Organisations

1. **Employees State Insurance Corporation (ESIC):** Established under the Employees State Insurance Act, 1948, ESIC provides social security benefits to workers in factories and establishments with more than 10 employees. It runs a network of hospitals and dispensaries offering medical care, maternity benefits, disability benefits, and dependants' benefits.
2. **Employees Provident Fund Organisation (EPFO):** EPFO manages the retirement savings of over 60 million employees across India. It facilitates provident fund contributions, pension schemes, and insurance benefits. EPFO has embraced technology with initiatives like the Universal Account Number (UAN) to streamline employee accounts.
3. **V.V. Giri National Labour Institute (VVGNI):** Named after former President V.V. Giri, this institute conducts research on industrial relations and labour welfare. It offers capacity-building programmes for trade union leaders, labour officers, and government officials to promote harmonious industrial relations.
4. **Central Board for Workers Education (CBWE):** CBWE organises programmes aimed at educating workers on their rights under various labour laws, the role of trade unions, and issues related to social security. It also focuses on empowering rural workers through awareness campaigns and literacy drives.

3.1.2.4 Role of the Ministry of Labour and Employment

Vision:

To ensure decent working conditions and improve the quality of life for workers, eliminate child labour in hazardous sectors, and sustainably enhance employability.

Mission:

To formulate and implement policies, programmes, schemes, and projects aimed at social security and welfare, regulating working conditions, ensuring occupational health and safety, eliminating child labour, promoting harmonious industrial relations, enforcing labour laws, and advancing employment services.

Objectives:

1. Enhance welfare and social security for workers in the unorganised sector.
2. Provide social security to organised sector workers.
3. Eradicate child labour in hazardous occupations and processes.
4. Promote skill development initiatives.
5. Strengthen employment services across sectors.
6. Prevent and resolve industrial disputes while reinforcing labour law enforcement.
7. Improve occupational safety and working conditions for labourers.

Key Responsibilities:

1. Formulation of labour policy, including wage regulation and legislation.
2. Ensuring safety, health, and welfare of labour.
3. Overseeing social security measures for workers.
4. Developing policies focused on special groups such as women and child labour.
5. Managing industrial relations and enforcing labour laws in the central sphere.



6. Adjudicating industrial disputes through Central Government Industrial Tribunals and National Industrial Tribunals.
7. Conducting workers' education programmes.
8. Compiling labour and employment statistics.
9. Administering employment services and vocational training.
10. Managing Central Labour & Employment Services.
11. Facilitating international cooperation on labour and employment issues.

Supporting Units and Functions

1. **Parliament Unit:** Acts as the liaison for parliamentary matters, handling questions, legislative instructions, ministerial material, and organising Consultative Committee meetings.
2. **Finance Wing:** Led by the Secretary (Labour & Employment) as Chief Accounting Authority, with assistance from the Joint Secretary & Financial Advisor and Controller of Accounts. The Integrated Finance Division manages financial advice and budgeting.

Additional Initiatives

1. **Progressive Use of Hindi:** Promotes Hindi in official communication, ensuring compliance with the Official Language Act and translation of key documents.
2. **Citizens'/Clients' Charter:** Updated regularly to inform about the Ministry's vision, mission, services, contact details, and grievance redressal mechanisms.
3. **Direct Benefits Transfer (DBT):** Implementation of DBT in ten schemes ensures benefits are transferred directly to beneficiaries' bank accounts, enhancing transparency and efficiency.

3.1.3 State Labour Departments: Role and Functions

The State Labour Departments are key agencies responsible for implementing labour laws and welfare schemes at the state level. They function under the administrative control of the respective State Governments and play a crucial role in promoting industrial peace, workers' welfare, and enforcement of labour rights.

► Implementing labour laws

Major Functions of State Labour Departments

1. **Implementation and Enforcement of Labour Laws:** The Ministry is responsible for enforcing both Central and State labour laws, such as the Minimum Wages Act, Factories Act, and Shops and Establishments Act. It conducts inspections and ensures compliance in factories, shops, and commercial establishments to uphold labour standards and safeguard workers' rights.
2. **Industrial Relations Management:** The Ministry promotes harmonious industrial relations through mechanisms such as conciliation and mediation. It works to prevent and resolve industrial disputes effectively and supports the functioning of Labour Courts and Industrial Tribunals at the state level to ensure timely and fair adjudication of labour-related matters.
3. **Registration and Licensing:** The Ministry is responsible for registering trade unions, shops, and commercial establishments, thereby ensuring formal recognition and regulation of these entities. It also issues licences under various labour laws, including the Contract Labour (Regulation and Abolition) Act, to ensure lawful and transparent labour practices.
4. **Labour Welfare and Social Security:** The Ministry administers welfare schemes for both unorganised and organised sector workers, aiming to improve their socio-economic conditions. It operates welfare boards dedicated to specific occupations, such as construction workers and beedi workers, to address their unique needs. Additionally, the Ministry facilitates the registration of beneficiaries and the distribution of benefits under legislations like the Building and Other Construction Workers Act.
5. **Occupational Safety and Health (OSH):** The Ministry ensures safety and health standards in workplaces, particularly in factories and hazardous establishments, to protect workers from occupational risks. It conducts safety audits, monitors compliance with safety regulations, and investigates industrial accidents to prevent recurrence and promote a safe working environment.



6. **Employment Services:** The Ministry manages Employment Exchanges to facilitate job registration, placement, and vocational guidance for job seekers. It also promotes skill development and provides career counselling services to enhance the employability and career prospects of individuals, especially the youth.
7. **Child and Women Labour Welfare:** The Ministry enforces laws that prohibit child labour in hazardous occupations, ensuring the protection and rights of children. It also monitors the working conditions of women workers, safeguarding their rights through measures that ensure maternity benefits, wage protection, and a safe and equitable work environment.
8. **Labour Statistics and Surveys:** Collect and publish data on employment, wages, strikes/lockouts, accidents, and other labour indicators.
9. **Grievance Redressal and Legal Aid:** The Ministry addresses grievances of workers related to issues such as non-payment of wages and unfair dismissal, ensuring their rights are protected. It also provides legal support and assistance for workers to file claims and seek justice under various labour laws.
10. **Awareness and Education:** Organise awareness camps, training programmes, and labour welfare education to inform workers of their rights.

Structure of State Labour Departments

The Ministry is headed by a Labour Minister and administratively managed by a Labour Commissioner or Director of Labour. It is supported by subordinate officers, including Joint and Deputy Labour Commissioners, Labour Officers, and Inspectors. Additionally, the Ministry may have specialised wings dedicated to factory inspection, welfare, employment, and legal matters to effectively carry out its functions.

Summarized Overview

Labour administration in India is a joint responsibility of the Centre and States, guided by the constitutional placement of labour in the Concurrent List. Its evolution spans from colonial arrangements to a modern institutional setup involving the Ministry of Labour and Employment, which governs multiple departments—Labour, Employment and Training, and Social Security. These are supported by attached, subordinate, and autonomous bodies like the EPFO, ESIC, DGMS, and VVGNLI. State Labour Departments are pivotal in law enforcement, industrial relations, welfare schemes, and employment services. The administrative structure is designed to promote decent work, ensure labour rights, and maintain industrial harmony across sectors. Recent reforms and initiatives, such as Direct Benefit Transfers and the Skill India Mission, further reflect efforts to modernise and integrate the system with digital governance and inclusive labour policies.

Self-Assessment

1. Describe the historical evolution of labour administration in India, especially post the Government of India Act, 1935.
2. Discuss the role and structure of the Ministry of Labour and Employment and its key departments.
3. Explain the constitutional framework that governs labour legislation in India, highlighting the division of responsibilities between the Centre and States.
4. Evaluate the major functions and organisational structure of State Labour Departments in enforcing labour laws and promoting worker welfare.

Assignments

1. How has the concurrent jurisdiction over labour legislation affected uniformity in labour standards across states?
2. Describe the key functions of the Ministry of Labour and Employment in policy formulation.
3. How do national and state-level labour administrations coordinate during labour inspections?



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UNIT 2

Regulatory Authorities and Mechanisms

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the role of Labour Courts and Tribunals in industrial dispute resolution
- ▶ examine the structure, powers, and procedures of adjudicatory labour bodies
- ▶ explore alternative dispute resolution mechanisms like mediation and Lok Adalats
- ▶ identify the challenges faced by labour adjudication systems and reforms needed

Background

As India's industrial landscape expanded, the need for structured mechanisms to resolve conflicts between employers and workers became critical. The Industrial Disputes Act, 1947 laid the foundation for statutory adjudicatory bodies like Labour Courts, Industrial Tribunals, and National Tribunals. These quasi-judicial forums were created to provide specialised, accessible, and fair dispute resolution outside the formal judiciary. Simultaneously, traditional and community-based conflict resolution practices—such as mediation—were revived and institutionalised through Lok Adalats to offer faster and people-centric alternatives. However, challenges like case backlogs, procedural delays, and lack of infrastructure continue to impact the efficiency of the regulatory mechanisms. Strengthening these institutions through reforms and digital tools is essential to ensure timely justice and industrial peace.

Keywords

Industrial Disputes, Labour Tribunals, Mediation, Lok Adalats

3.2.1 Labour Courts and Tribunals

Labour courts and tribunals are statutory adjudicatory bodies established under the Industrial Disputes Act, 1947, with the primary aim of resolving industrial disputes between employers and employees. They were created as part of India's compulsory adjudication framework, recognising that free-market mechanisms alone were insufficient to address the rising incidence of labour disputes in a fair and timely manner. These institutions operate as quasi-judicial bodies, possessing some of the powers of civil courts, but with the flexibility to function in a less formal, more accessible manner.

► Quasi-judicial bodies

The establishment of these bodies reflects the State's responsibility to maintain industrial peace and protect workers' rights. Labour courts and tribunals ensure that disputes regarding dismissals, wage fixation, service conditions, and other matters affecting the workforce are adjudicated impartially. By providing a structured, legally sanctioned forum for conflict resolution, they contribute to industrial harmony, social justice, and economic stability. In doing so, they also embody the constitutional commitment to uphold the dignity of labour and the principles of justice and equity in the workplace.

3.2.1.1 Classification and Jurisdiction

Labour courts and tribunals in India are classified into three types based on their jurisdiction and the nature of disputes they are authorised to resolve: Labour Courts, Industrial Tribunals, and National Tribunals. This classification is provided under the Industrial Disputes Act, 1947, and helps ensure that industrial conflicts are addressed by forums equipped to handle the complexity and scale of each case.

Labour Courts, constituted under Section 7 of the Act, deal with disputes specified in the Second Schedule, which typically involve individual grievances such as wrongful dismissal, suspension, retrenchment, legality of strikes or lockouts, and interpretation of standing orders. These courts operate primarily at the state level and are presided over by judicial officers with qualifications equivalent to a District Judge.

► Classified into three types

In contrast, Industrial Tribunals, established under Section 7A, adjudicate broader and often more contentious matters listed under the Third Schedule. These include issues like wage structures, hours of work, bonus, classification of workers, and conditions of employment. Because these matters have wider implications for labour-management relations, tribunals are chaired by individuals qualified to be High Court judges.

For disputes of national importance or those involving establishments operating across multiple states, the Central Government can set up a National Industrial Tribunal under Section 7B. These tribunals help maintain consistency in industrial jurisprudence across the country and play a key role in disputes that affect the national economy.

3.2.1.2 Powers and Functions of Labour Courts and Tribunals

Labour Courts, Industrial Tribunals, and National Tribunals derive their powers primarily from Sections 11 and 11A of the Industrial Disputes Act, 1947. Their powers and functions include:

1. **Adjudication of Industrial Disputes:** They hear and decide disputes referred to them by the appropriate government, involving issues such as dismissal, retrenchment, wages, working conditions, and other employment matters.
2. **Issuing Summons and Recording Evidence:** These bodies have powers similar to civil courts, such as issuing summons, receiving evidence under oath, compelling witness attendance, and document production.
3. **Granting Interim Relief:** In suitable cases, tribunals can grant interim relief, such as a stay on termination or temporary reinstatement, to protect the interests of parties during proceedings.
4. **Modifying or Setting Aside Employer Penalties:** Under Section 11A, tribunals have the authority to modify the punishment imposed by employers in dismissal or disciplinary cases, even if the employer followed proper procedures.
5. **Reinstatement and Compensation Orders:** They can direct the reinstatement of a dismissed worker, award back wages, or recommend compensation in lieu of reinstatement.

► Based on the Industrial Disputes Act, 1947

6. Awarding Binding Decisions: Their judgments, called awards, are binding on both parties for a specified period (usually one year) and are enforceable in law.
7. Entering Premises and Conducting Inspections: Labour courts and tribunals are empowered to enter employer premises, inspect records, and conduct on-site inquiries where necessary.
8. Granting Adjournments and Ex-parte Hearings: They have the discretion to adjourn hearings, conduct ex-parte proceedings if a party is absent, and restore such matters on justified grounds.
9. Recording Settlements: If the parties reach a settlement during proceedings, the tribunal can record and formalise it, giving it the status of a legal award.

3.2.1.3 Structure and Appointment

The structure of labour adjudication bodies in India is designed to ensure specialised and independent resolution of industrial disputes. Labour Courts, Industrial Tribunals, and National Tribunals are all separate from the regular judiciary, although they exercise many powers similar to civil courts.

Labour Courts are constituted by the State Governments under Section 7 of the Industrial Disputes Act. Each Labour Court is presided over by a single judge, known as the Presiding Officer, who must be a current or former District Judge, or have equivalent legal or judicial experience as prescribed by the Act.

► Specialised and independent resolution

Industrial Tribunals are established under Section 7A and are also headed by a Presiding Officer, who is required to be a High Court judge or someone qualified to be one, ensuring the adjudicator has sufficient legal expertise for handling complex industrial disputes.

In the case of National Industrial Tribunals, which are constituted under Section 7B by the Central Government, the presiding officer must be a person who is or has been a judge of a High Court. These tribunals are usually created for disputes that affect more than one state or have national significance.

These appointments are crucial because they ensure that the adjudicatory bodies have legal competence, independence, and credibility. However, one of the persistent challenges noted in



practice is the vacancy and delay in appointments, which often leads to a backlog of cases and affects the delivery of timely justice in industrial relations.

3.2.1.4 Procedural Aspects

Although Labour Courts and Tribunals are not bound by the strict procedures of the Civil Procedure Code (CPC), they are expected to maintain basic principles of natural justice, fairness, and transparency in their proceedings. These bodies are meant to function as quasi-judicial institutions, providing quicker and more accessible justice than regular courts. However, in practice, many of them adopt procedures similar to civil courts, including formal pleadings, evidence recording, and adjournments, which can cause delays and procedural rigidity.

► Natural justice

Proceedings before these bodies begin with a reference of dispute from the appropriate government. After notices are issued, parties appear either in person or through representatives (often trade unions or legal counsel). Hearings are generally public, and both oral and documentary evidence can be presented. Cross-examination is permitted, and arguments are heard before the Presiding Officer passes a reasoned award, which becomes binding and enforceable.

In cases where a settlement is reached during the proceedings, the tribunal or court records it as a formal award. While tribunals have wide discretion in managing proceedings, the emphasis remains on timely, impartial, and cost-effective dispute resolution. Despite this intent, delays and procedural formalities often undermine the original purpose of creating informal, quick adjudication forums for labour disputes.

3.2.1.5 Challenges and Limitations of Labour Courts and Tribunals

Despite their importance in maintaining industrial peace and safeguarding labour rights, Labour Courts and Tribunals face several practical and structural challenges:

1. **Delayed Justice and Case Backlogs:** Many labour courts and tribunals suffer from long pendency of cases due to an increasing number of disputes and insufficient judicial manpower.
2. **Vacancies and Irregular Appointments:** Frequent delays in

appointing qualified Presiding Officers hinder the continuity and efficiency of dispute resolution.

3. **Procedural Rigidities:** Although designed to be flexible, these bodies often follow formal legal procedures, which result in delays and increased legal costs for workers.
4. **Inadequate Infrastructure and Support Staff:** Many tribunals operate with poor administrative support, a lack of digital systems, and insufficient courtroom facilities, especially at the district level.
5. **Limited Accessibility for Workers:** Workers in the unorganised sector or remote areas often lack awareness, resources, or legal aid to effectively pursue claims through these forums.
6. **Enforcement of Awards:** Even when awards are passed in favour of workers, implementation is often delayed, and employers may challenge awards in higher courts, defeating the purpose of speedy relief.
7. **Lack of Specialised Training:** Presiding officers and staff may lack specialised knowledge in labour law, leading to inconsistent or legally weak judgments.
8. **Overlapping Jurisdictions:** Sometimes, confusion arises over whether a matter falls under a Labour Court, Industrial Tribunal, or civil court, causing procedural delays and jurisdictional disputes.

3.2.1.6 Landmark Judgments Related to Labour Courts and Tribunals

Certain judgments by the Supreme Court of India have significantly influenced the powers, procedures, and interpretations adopted by Labour Courts and Tribunals. These cases have strengthened the role of these institutions in upholding labour rights and principles of justice:

1. **Workmen of Firestone Tyre & Rubber Co. vs. Management (1973):** This landmark case clarified the powers of Labour Courts and Tribunals under Section 11A of the Industrial Disputes Act. The Supreme Court held that even if an employer conducted a domestic inquiry and imposed a penalty (e.g., dismissal), the tribunal had the authority to



re-examine the fairness of the inquiry and modify or set aside the punishment.

2. *Bandhua Mukti Morcha vs. Union of India* (1984): This case expanded the scope of Article 21 (Right to Life) to include the right to live with dignity, especially for bonded labourers. It affirmed the role of public interest litigation and the judiciary in protecting the rights of the most vulnerable workers.
3. *Syndicate Bank vs. K. Umesh Nayak* (1994): The Court held that a strike is a right but not a fundamental right, and that workers cannot automatically claim wages for strike periods unless the strike is legal and justified.
4. *Bangalore Water Supply & Sewerage Board vs. A. Rajappa* (1978): This judgment gave a broad interpretation of the term "industry," bringing hospitals, educational institutions, and clubs under the purview of the Industrial Disputes Act. This widened the jurisdiction of labour tribunals.
5. *Dharangadhra Chemical Works Ltd. vs. State of Saurashtra* (1957): The Supreme Court laid down the test of the "master-servant relationship" to define a "workman," which is still used by Labour Courts to determine who is eligible for protection under labour laws.

3.2.2 Mediation and Litigation

Mediation has deep cultural roots in India. Unlike litigation, which was introduced during colonial rule and follows a top-down model, mediation is indigenous and aligns closely with traditional Indian dispute resolution practices. In earlier times, respected elders and local community leaders often acted as mediators or as part of village panchayats to settle disputes amicably. These informal systems still exist today, and mediation continues to be a popular way to resolve conflicts. Essentially, mediation involves a neutral third party who helps the disputing individuals or groups arrive at a mutually agreeable solution. Lok Adalats are an example of formalised mediation practices. When conducted within a formal legal framework, mediation is often referred to as conciliation.

► Indigenous solutions

Drawbacks of Litigation

Litigation has several disadvantages, particularly in the Indian

context. It tends to be slow and costly. The adversarial nature of litigation places the control of the case largely in the hands of the parties and their legal representatives. Each side presents its version of facts and evidence in a manner that favours its own interests and weakens the other's case. The judge primarily acts as an impartial referee, ensuring procedural fairness but not actively resolving the deeper issues. This system often becomes more about strategy and legal skill than about finding justice or achieving lasting peace between the parties. As a result, those with greater resources tend to have an advantage. While litigation may technically resolve a dispute, it doesn't always lead to meaningful reconciliation—something crucial in sensitive matters such as family or labour relations, where long-term cooperation is necessary for societal or economic stability.

► Slow and costly

During certain national emergencies, collaborative efforts between labour and management, such as setting up Emergency Production Committees, led to a decline in disputes and increased productivity. Workers even voluntarily extended working hours and contributed to national causes. However, these efforts lost momentum when economic pressures like rising prices triggered renewed unrest.

Strengths of Mediation

► Solutions to conflicts

Given the limitations of litigation—especially in emotionally charged contexts—mediation offers several benefits. It is particularly effective where relationships matter and long-term cooperation is essential. Mediators do not impose a decision but instead guide the disputing parties toward developing their own solutions that support future harmony. This approach is faster and more economical than going through court.

For mediation to be truly effective, the mediator must build trust and help de-escalate emotional tensions between the parties. This requires strong interpersonal skills and empathy, as many conflicts are rooted in misunderstandings, emotional hurt, or ego clashes. By allowing the parties to express their concerns and emotions openly, mediation can address the underlying causes of the dispute, not just the surface-level issues.

Unlike litigation, which tends to focus on rigid positions, mediation focuses on the underlying interests of each party. Once those interests are understood and acknowledged, it becomes easier to craft solutions that satisfy both sides, leading to a "win-win" outcome. Mediators help facilitate open



communication, uncover shared interests, and propose creative settlement options. Depending on the situation, there may be one or multiple mediators involved in the process.

3.2.3 Lok Adalats: A People-Centric Dispute Resolution Mechanism

► Arising from judicial activism

Lok Adalats are a relatively recent development arising from judicial activism in India, designed to offer a faster and more accessible method for resolving disputes, particularly in the context of industrial relations. The term Lok Adalat translates to "People's Court," but this can be somewhat misleading. Unlike formal courts that represent the sovereign authority of the State, Lok Adalats are not judicial forums in the traditional sense. They are, instead, platforms for large-scale dispute mediation, where experienced conciliators facilitate discussions between disputing parties to help them reach voluntary settlements.

Nature and Functioning

In Lok Adalats, disputants—either directly or through their legal representatives—negotiate in the presence of conciliators. These neutral facilitators guide the discussions, using their expertise to encourage the parties toward a mutually agreeable solution. The terms mediation and conciliation are used interchangeably in this context, as both involve similar roles for the facilitator.

Evolution and Legal Recognition

► Resolving disputes amicably

The idea of Lok Adalats was developed to revive and formalise the traditional Indian practice of resolving disputes amicably. Initially, these forums operated under the Committee for Implementing Legal Aid Schemes (CILAS) and had no formal legal standing. Settlements reached in these early Lok Adalats were sent back to the referring courts or tribunals for approval and conversion into consent judgments. Once approved, such judgments became enforceable and could not be challenged through appeal or writ petitions—except on grounds such as fraud.

The enactment of the Legal Services Authorities Act, 1987, which came into force in 1996, institutionalised Lok Adalats, giving them formal legal recognition. This marked a significant shift by enabling direct enforcement of settlements achieved through Lok Adalat proceedings. Importantly, these settlements

must satisfy the requirements of a legal contract and be based on fairness, equity, and justice.

Lok Adalats as Mediatorial Bodies

Fundamentally, Lok Adalat sessions operate as structured mediation. Conciliators assist the parties in compromising their claims to achieve a peaceful and acceptable resolution. While participation in mediation is typically voluntary, amendments to the Civil Procedure Code in 2002 allow courts to refer parties to mediation or Lok Adalats. Similarly, under the Industrial Disputes Act, 1947, conciliation is mandatory, though parties are not obliged to settle.

► Structured mediation

Despite the voluntary nature of settlement, proceedings in Lok Adalats are taken seriously. Conciliators have powers similar to those of a civil court, especially concerning the collection of relevant information. When information is presented during these sessions, it is treated with legal formality and, if given falsely, may invite penalties.

Safeguards and Legal Standards

The Legal Services Authorities Act ensures that the mediators and conciliators conduct themselves with integrity and accountability. The proceedings in Lok Adalats are expected to be governed by principles of justice, fairness, and equity. Though compromise is inherent to any settlement, the process is safeguarded against misuse or coercion, ensuring protection for all parties involved.

Summarized Overview

Unit 2 provides a comprehensive understanding of India's labour dispute resolution framework, highlighting both formal and alternative mechanisms. Labour Courts, Industrial Tribunals, and National Tribunals adjudicate disputes under the Industrial Disputes Act, 1947, covering issues from wage conflicts to unfair dismissals. These bodies, although less formal than civil courts, exercise quasi-judicial powers and are designed to offer quicker, specialised relief. However, they often suffer from procedural delays, vacancies, and limited accessibility. Alternative dispute resolution methods like mediation and Lok Adalats offer less adversarial, cost-effective avenues, emphasising mutual agreement and reconciliation. Lok Adalats, institutionalised under the Legal Services Authorities Act, 1987, play a vital role in decongesting formal courts while preserving justice and equity. Together, these mechanisms form the backbone of India's labour regulatory system.



Self-Assessment

1. Explain the classification and jurisdiction of Labour Courts, Industrial Tribunals, and National Tribunals under the Industrial Disputes Act, 1947.
2. Discuss the powers and procedural features of Labour Courts and Tribunals and their role in promoting industrial justice.
3. What are the main challenges faced by India's labour adjudication system? Suggest reforms to overcome them.
4. Analyse the importance of mediation and Lok Adalats in labour dispute resolution. How do they differ from litigation?

Assignments

1. How do autonomous bodies like EPFO and ESIC contribute to social security delivery?
2. What role does the Labour Bureau play in labour policy evaluation and planning?
3. Explain how the DGMS helps ensure occupational safety in mines.

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Space for Learner Engagement for Objective Questions

Learners are encouraged to develop objective questions based on the content in the paragraph as a sign of their comprehension of the content. The Learners may reflect on the recap bullets and relate their understanding with the narrative in order to frame objective questions from the given text. The University expects that 1 - 2 questions are developed for each paragraph. The space given below can be used for listing the questions.

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UNIT 3

Labour Inspections and Compliance

Learning Outcomes

Upon completion of the unit, the learners will be able to:

- ▶ understand the definition, purpose, and dual role of labour inspection in promoting decent work
- ▶ examine the institutional and legal frameworks governing labour inspection in India
- ▶ identify the types, powers, and responsibilities of labour inspectors
- ▶ analyse recent technological reforms and challenges in labour law compliance mechanisms

Background

In the evolving landscape of labour relations, ensuring compliance with labour laws has become both a moral and legal imperative. Labour inspections serve as the backbone of enforcement and advisory systems aimed at protecting workers' rights and maintaining workplace safety. Rooted in international commitments like ILO Convention No. 81 and domestic legislation such as the Factories Act and the Occupational Safety, Health and Working Conditions Code, 2020, the inspection system in India is a complex yet vital part of labour administration. Through planned, surprise, or complaint-based visits, inspectors play a crucial dual role as both enforcers and facilitators of labour standards. However, challenges like understaffing, corruption risks, and informal sector evasion necessitate continuous reform and the integration of technology for a more transparent and accountable system.

Keywords

Labour Inspection, Compliance, ILO Convention 81, Shram Suvidha Portal

3.3.1 Labour Inspection

► Comply with national labour laws

Labour inspection is a fundamental function of labour administration, designed to ensure that workplaces comply with national labour laws and international standards. It plays a dual role—first, by enforcing legal provisions related to wages, occupational safety and health, working hours, and other employment conditions; and second, by offering advisory support to both employers and workers. This support helps them understand their rights and responsibilities and encourages adherence to best practices in labour relations. The framework for labour inspection is grounded in international commitments such as the ILO Convention No. 81 (Labour Inspection Convention, 1947), as well as domestic legislation like the Factories Act, 1948, in India. These legal instruments empower inspectors to visit establishments, assess compliance, and promote a culture of workplace safety and fairness.

3.3.1.1 Definition and Purpose

► To verify compliance with labour laws

Labour inspection is defined as the system by which authorised public officials visit workplaces to verify compliance with labour laws and regulations, while also providing guidance to employers and workers. According to the ILO's international standards, labour inspection serves a dual role: one of enforcement, ensuring that legal provisions related to working conditions, wages, occupational safety, and welfare are followed, and another of advisory support, helping workplaces understand and implement these rules. It is not merely a legal requirement but a public service obligation aimed at protecting the rights and dignity of all workers, particularly the most vulnerable and marginalised groups. By promoting fairness, safety, and social justice, labour inspection contributes directly to the goals of decent work, industrial harmony, and inclusive development. It is also central to the implementation of international labour conventions, including ILO Convention No. 81, which underscores the importance of a well-organised, impartial, and effective inspection system.

3.3.1.2 Institutional Framework

The institutional framework for labour inspection is a core component of national labour administration systems.

► Authority responsible for supervision

According to the ILO's Labour Inspection Convention, 1947 (No. 81), every country must establish a central authority that is responsible for the supervision and coordination of the inspection system. In India, this responsibility is shared between the Central Government (for industries like railways, mines, oilfields, etc.) and the State Governments (for most other establishments). Labour inspectors operate under various departments such as the Ministry of Labour and Employment at the central level, and State Labour Departments at the regional level. These authorities are mandated to recruit, train, and support inspectors, develop inspection policies, and ensure the uniform application of labour laws across sectors. The framework must also ensure that inspectors are given independence, protection from undue influence, and access to legal powers and resources necessary to carry out their duties effectively. As highlighted in the ILO guidelines, this structure should be designed to promote transparency, accountability, and institutional coherence, enabling inspections to contribute meaningfully to labour standards enforcement and social protection.

3.3.1.3 Mandate of Labour Inspectors

Labour inspectors are entrusted with a broad and essential mandate that encompasses both regulatory enforcement and advisory responsibilities. Their primary role is to ensure that workplaces comply with national labour laws and international labour standards. This includes monitoring issues such as conditions of employment, working hours, occupational safety and health, minimum wages, child labour, and employment of women. Inspectors are legally authorised to enter workplaces, examine documents and registers, interview workers, and collect evidence in case of suspected violations. They are also empowered to issue improvement notices, prohibition orders, or recommend prosecution where necessary.

► Regulatory enforcement and advisory responsibilities

Importantly, the ILO emphasises that inspectors should not only act as enforcers but also serve as advisers to both employers and workers, guiding them toward voluntary compliance and promoting a culture of decent work. In this capacity, inspectors help raise awareness about legal rights and obligations, assist with corrective measures, and support dispute prevention. Their work is especially significant in safeguarding the interests of vulnerable workers, particularly those in informal or hazardous occupations. To fulfil this dual mandate effectively, inspectors must be provided with independence, adequate training,

resources, and legal protection from interference or retaliation.

3.3.1.4 Essential Features of Labour Inspection Systems

Labour inspection systems must be designed not only to enforce compliance but also to uphold the values of fairness, transparency, and social protection. As outlined in the ILO's Convention No. 81 and its 2021 guidelines, an effective inspection system requires more than legal authority—it needs proper institutional design, qualified personnel, operational independence, and safeguards against political or employer influence. These features ensure that inspectors can perform their duties impartially and that inspections genuinely contribute to decent working conditions and industrial peace. Below are the key characteristics that define a sound and functional labour inspection system:

► Values of fairness, transparency, and social protection

1. **Independence and Impartiality:** Inspectors must be free from external pressures, political interference, or conflicts of interest to ensure fair and objective enforcement.
2. **Adequate Legal Powers:** Inspectors should be legally authorised to enter workplaces, examine records, interview employees, and initiate enforcement action.
3. **Sufficient Staffing and Resources:** Inspection bodies should be well-staffed with trained personnel, and supported with the infrastructure, transport, and technology needed to carry out their duties effectively.
4. **Uniform and Consistent Enforcement:** Laws and standards must be applied equitably across sectors and regions, preventing discriminatory or arbitrary actions.
5. **Transparency and Accountability:** Inspection procedures, findings, and follow-up actions should be clearly documented and open to public review or audit, where appropriate.
6. **Protection of Inspectors:** Inspectors must be safeguarded against threats, undue influence, or retaliation by employers or interest groups, ensuring occupational security.
7. **Rights of Workers and Employers:** Both parties should be treated fairly, with inspectors providing guidance and ensuring that inspections are not used to harass or penalise without cause.
8. **Integration with Social Dialogue and Preventive Advice:** The inspection system should support preventive measures, encourage voluntary compliance, and align with the goals of

social dialogue and cooperative workplace improvement.

3.3.1.5 Challenges in Ensuring Compliance

Despite having formal inspection systems in place, many countries—including India—face significant challenges in ensuring full and effective compliance with labour laws. The ILO identifies the following major obstacles:

1. **Insufficient Number of Inspectors:** Many labour departments have far fewer inspectors than the recommended ILO ratio of 1 inspector per 10,000 workers, especially in countries with large informal sectors.
2. **Inadequate Training and Capacity:** Inspectors often lack updated training in areas like occupational health and safety, gender-sensitive inspections, and informal sector engagement.
3. **Overlapping Laws and Jurisdictions:** The presence of multiple labour laws and enforcement agencies leads to confusion, duplication of inspections, and uneven enforcement.
4. **Discretionary Power and Corruption Risks:** When inspections are unscheduled and opaque, they may be misused for rent-seeking, reducing employer trust and undermining compliance.
5. **Poor Infrastructure and Technology Use:** Many inspection offices lack digital systems, transport facilities, and data analytics, limiting efficiency and real-time monitoring.
6. **Employer Resistance, especially in the Informal Sector:** Small and medium enterprises often view inspections as a burden and may evade compliance due to a lack of awareness or cost concerns.
7. **Limited Worker Awareness and Fear of Retaliation:** Workers are often unaware of their rights or fear dismissal if they report violations, leading to underreporting and weak enforcement.
8. **Weak Follow-up and Sanction Implementation:** Even when violations are identified, delays in prosecution, low penalties, and weak institutional follow-up reduce the deterrent effect of inspections.

3.3.2 Labour Inspection in India

3.3.2.1 Legal and Policy Basis

The labour inspection system in India derives its authority from a combination of constitutional directives, national legislation, and international commitments. At the constitutional level, Article 39 of the Directive Principles of State Policy directs the State to ensure that working conditions are humane and that both men and women receive equal pay for equal work. Complementing this, Article 42 mandates the provision of just and humane conditions of work, including maternity relief, establishing a clear social obligation for the State to safeguard labour rights.

► Constitutional directives, national legislation, and international commitments

The legal framework for labour inspection is anchored in several key legislations. Prominent among these is the Factories Act, 1948, which governs health and safety in manufacturing establishments. State-specific Shops and Establishments Acts regulate working hours, wages, and leave in the service sector. The Contract Labour (Regulation and Abolition) Act, 1970 oversees the employment and conditions of contract workers, while the Minimum Wages Act, 1948 ensures statutory wage protection. The Building and Other Construction Workers Act, 1996 addresses welfare measures for a highly vulnerable section of the workforce. More recently, these laws have been subsumed under the comprehensive Occupational Safety, Health and Working Conditions Code, 2020, one of the four new labour codes enacted to simplify and modernise India's labour law regime.

Internationally, India has reaffirmed its commitment to fair labour practices by ratifying ILO Convention No. 81 (Labour Inspection Convention, 1947), which sets global standards for independent, efficient, and transparent labour inspection systems. These legal and policy instruments together form the backbone of India's labour inspection framework, enabling the State to monitor compliance, promote decent work, and ensure social justice in the world of work.

3.3.2.2 Administrative Structure

The administration of labour inspection in India operates through a dual system, with responsibilities divided between the Central Government and the State Governments, depending on the nature and jurisdiction of establishments. This federal



arrangement is intended to ensure that labour laws are effectively enforced across the country while respecting the autonomy of state labour departments.

At the central level, the system is overseen by the Ministry of Labour and Employment, which is responsible for policymaking, standard-setting, and coordination. The actual enforcement in central sphere establishments—such as railways, mines, oilfields, ports, and central public sector undertakings—is carried out by the Chief Labour Commissioner (Central) and a network of Regional Labour Commissioners, Labour Enforcement Officers, and Inspectors. These officers are empowered under central labour laws like the Industrial Disputes Act, the Contract Labour Act, and the Minimum Wages Act.

► Operates through a dual system

At the state level, the State Labour Departments perform a similar role for all establishments that fall under state jurisdiction, including factories, shops, and small-scale industries. Headed by the Labour Commissioner, the administrative hierarchy typically includes Joint/Deputy Labour Commissioners, Assistant Labour Commissioners, Labour Officers, and Inspectors of Factories. These officers are responsible for conducting inspections, enforcing compliance, resolving disputes, and facilitating worker welfare schemes.

To improve efficiency and reduce duplication, many states and the central government have introduced reforms such as labour inspection schemes, unified inspection portals, and the Inspector-cum-Facilitator model under the new Labour Codes. Despite these reforms, coordination challenges between the central and state systems remain, highlighting the need for better data integration, training, and institutional alignment.

3.3.2.3 Types of Inspections in India

Labour inspections in India are conducted through various formats depending on the objective, urgency, and legal context. The following are the key types:

1. Routine or Periodic Inspections: Pre-scheduled labour inspections are routine visits conducted at establishments to verify compliance with applicable labour laws. These inspections are typically guided by annual inspection plans prepared by the labour department, ensuring systematic

► Routine visits

► Grievances or complaints lodged

► Unannounced visits

► Special campaigns

coverage of various sectors. Such planned inspections are particularly useful for regular monitoring in industries or workplaces known to have higher levels of risk, such as those involving hazardous materials or vulnerable labour conditions. By focusing on these sectors, the inspections aim to prevent violations, promote safer working environments, and ensure consistent enforcement of labour standards.

2. **Complaint-Based Inspections:** Complaint-based inspections are initiated in response to grievances or complaints lodged by workers, trade unions, or whistle-blowers. Unlike routine inspections, these are reactive in nature and focus on specific alleged violations such as wage delays, unsafe working conditions, or instances of harassment. They play a crucial role in safeguarding the rights of vulnerable or voiceless workers who may otherwise lack the means to seek redress. By addressing such issues promptly and effectively, complaint-based inspections contribute to promoting fairness, accountability, and trust in the labour administration system.
3. **Surprise or Spot Inspections:** Surprise or spot inspections are unannounced visits carried out to detect violations that employers might otherwise conceal during scheduled inspections. These are especially effective in sectors prone to evasion of labour laws, such as small-scale manufacturing, construction, and informal enterprises. The element of unpredictability in these inspections helps uncover issues like child labour, unregistered employment, unsafe working conditions, and underpayment. Such inspections reinforce the seriousness of enforcement mechanisms and ensure greater compliance through the fear of sudden scrutiny.
4. **Targeted or Thematic Inspections:** Targeted inspections are organised as part of special campaigns or based on thematic priorities, such as occupational safety, bonded labour, minimum wage compliance, or the welfare of migrant workers. These inspections may be sector-specific (e.g., construction, garment, mining) or issue-specific and often involve collaboration with civil society organisations or other government departments. By focusing on



vulnerable groups or persistent violations, these inspections help drive policy-level reforms and awareness in high-risk areas of employment.

► Based on the compliance history

5. Risk-Based Inspections: Risk-based inspections represent a more modern approach to labour enforcement, where inspections are scheduled based on the compliance history, size, and sector-specific risk profile of the enterprise. Introduced through digital systems like the Shram Suvidha Portal, this model aims to rationalise inspection efforts by prioritising high-risk establishments while reducing the burden on compliant ones. This approach not only improves the efficiency and impact of inspections but also ensures more judicious use of administrative resources.

► Verify corrective measures

6. Follow-up or Re-inspections: Follow-up inspections are conducted after an earlier visit has identified violations or non-compliance, and a time-bound directive has been issued to the employer. These inspections verify whether corrective measures have been implemented as required. They are crucial for enforcing accountability, ensuring genuine compliance, and deterring repeat violations. Without follow-up mechanisms, inspection outcomes risk being ineffective or symbolic.

► Coordinated efforts

7. Joint Inspections: Joint inspections involve the coordinated efforts of multiple enforcement agencies such as the Labour Department, EPFO, ESIC, Pollution Control Boards, and Factory Inspectorates. These are usually conducted in large industrial establishments or special economic zones where multiple compliances are required. Joint inspections help reduce the compliance burden through a “one-inspection-many-laws” approach, minimise overlapping visits, and promote better coordination between departments. They also help in presenting a unified interface to employers while enhancing regulatory efficiency.

3.3.2.4 Powers and Functions of Labour Inspectors

Labour inspectors play a critical role in ensuring that the rights of workers are protected and that employers comply with applicable labour laws. Their powers are defined in various acts such as the Factories Act, 1948, the Contract Labour Act, 1970,

and now under the Occupational Safety, Health and Working Conditions (OSHWC) Code, 2020. Below are their core powers and functions:

1. **Entry and Inspection:** Labour inspectors are legally empowered to enter any workplace at reasonable hours to conduct inspections. This includes factories, shops, commercial establishments, and construction sites. Their visit may be pre-scheduled, complaint-based, or surprise in nature. During these visits, inspectors examine the physical conditions of work, verify safety measures, check machinery setup, and ensure that statutory notices and registers are properly displayed and maintained. This power to access establishments without prior notice plays a crucial role in enforcing compliance and detecting hidden violations.
2. **Examination of Records and Registers:** Inspectors have the authority to demand and examine essential employment records maintained by the employer. These include wage registers, attendance books, overtime records, payment vouchers, employee identity proofs, accident registers, and statutory forms under various labour laws. Scrutiny of these documents helps determine whether workers are being paid minimum wages, are receiving their lawful entitlements, and are being engaged in accordance with lawfully sanctioned conditions.
3. **Worker Interviews:** Labour inspectors are empowered to interact privately with workers at the workplace to obtain information that may not be recorded in official documents. Such interviews allow inspectors to verify claims related to forced labour, underpayment, excessive working hours, denial of leave, or unsafe work practices. Confidential worker interviews are especially important in cases involving vulnerable categories like women, child labourers, contract workers, or migrants, who may otherwise hesitate to speak openly.
4. **Issuing Notices and Directions:** When violations are identified during an inspection, the inspector can issue formal improvement notices directing the employer to rectify the problems within a stipulated timeframe. In situations in-



volving imminent danger to life or serious breaches of occupational safety norms, inspectors may issue prohibition notices that mandate immediate suspension of hazardous work activities. These enforcement tools give inspectors preventive and corrective authority on the spot.

5. **Recommending Prosecution and Legal Action:** In the event of serious, repeated, or wilful non-compliance, inspectors can recommend prosecution of the employer or responsible officials under relevant sections of the labour laws. They may also be called upon to act as witnesses in labour courts or tribunals. The ability to initiate legal proceedings underscores the seriousness of the inspector's role in enforcing compliance and deterring violations.
6. **Report Preparation and Submission:** Post-inspection, the inspector prepares a detailed report outlining the observations, identified violations, documents examined, and any directions issued. In the central sphere, this report is uploaded to the Shram Suvidha Portal and becomes part of the official compliance history of the establishment. These reports aid superior officers in policy decisions and further regulatory action.
7. **Advisory and Educational Role:** Beyond enforcement, labour inspectors are expected to act as facilitators by advising both employers and workers on their legal duties and rights. They help clarify regulatory provisions, guide the use of proper employment records, and offer recommendations to improve working conditions. This role becomes more important under the new Inspector-cum-Facilitator model introduced in the Labour Codes.
8. **Monitoring Social Security Compliance:** Inspectors also ensure that eligible establishments are registered under social security schemes such as EPFO and ESIC. They verify if the required contributions are being deducted and deposited regularly, and whether workers are covered under health insurance, provident fund, and pension benefits. This function integrates inspection with broader welfare administration.
9. **Coordination with Other Departments:** Inspectors may collaborate with officials from departments such as Fire

Safety, Health, Environment, and Industrial Safety during joint inspection drives. This interdepartmental approach is particularly important in hazardous industries, where multiple compliances intersect. Coordinated inspections help reduce redundancy and improve regulatory efficiency.

3.3.2.5 Technology and Reform Initiatives

In recent years, the Government of India has initiated several reforms to modernise and streamline the labour inspection system, with a strong emphasis on transparency, predictability, and ease of compliance. One of the most significant advancements has been the launch of the Shram Suvidha Portal in 2014, which serves as a unified digital platform for inspection, compliance reporting, and grievance redressal. Under this system, inspections are generated through a transparent, computerised, risk-based algorithm to minimise human discretion and prevent harassment or corruption.

The portal also allows establishments to self-certify compliance, upload mandatory returns online, and receive inspection reports electronically. By consolidating returns under multiple labour laws into a single unified format, the system has significantly reduced the compliance burden on businesses, especially small and medium enterprises (SMEs). Moreover, it enables the government to track inspections in real-time, analyse sectoral trends, and improve the targeting of enforcement efforts.

► Streamlining labour inspection

Another key reform under the new labour codes, particularly the Occupational Safety, Health and Working Conditions Code, 2020, is the introduction of the Inspector-cum-Facilitator model. This model encourages inspectors not only to identify violations but also to provide guidance to employers and workers for achieving compliance. Combined with the push for e-inspections, third-party audits in low-risk sectors, and digitised records, these reforms are gradually transforming labour inspection into a more constructive, efficient, and accountable system.

While these initiatives represent a major step forward, the success of these reforms depends on effective implementation across states, capacity building of labour officers, and the integration of digital systems at all levels of administration.

Summarized Overview

Labour inspection is an essential function of labour administration that ensures compliance with legal and safety standards in the workplace. With its dual mandate of enforcement and advisory, it aims to foster industrial peace, protect vulnerable workers, and promote decent work. India's inspection system operates through both central and state-level agencies and is governed by various laws now streamlined under the new Labour Codes. Inspectors have legal authority to examine records, visit establishments, and even initiate legal actions where violations occur. Inspections are conducted in several formats, including routine, complaint-based, surprise, and risk-based types. Recent digital reforms such as the Shram Suvidha Portal and the Inspector-cum-Facilitator model aim to modernise and rationalise the system. Despite progress, the sector continues to face challenges related to manpower, training, informal sector outreach, and technological integration.

Self-Assessment

1. Discuss the dual role of labour inspectors as enforcers and advisers. How does this impact labour compliance in India?
2. Explain the legal and institutional framework that governs labour inspection in India, referencing key laws and ILO conventions.
3. What are the different types of labour inspections in India, and how do they contribute to effective compliance?
4. Evaluate the recent technological reforms like the Shram Suvidha Portal in strengthening transparency and efficiency in labour inspections.

Assignments

1. What are the challenges faced by state labour departments in ensuring compliance among small enterprises?
2. How do legal aid services provided by labour departments empower workers?
3. In what ways can state-level grievance redressal mechanisms be made more accessible?

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Suggested Reading

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BLOCK 4
**Contemporary Issues and Re-
forms in Labour Legislation**

UNIT 1

Labour Market Reforms and Policies

Learning Outcomes

Upon completion of the unit, the learner will be able to:

- ▶ understand the rationale and objectives behind recent labour market reforms in India
- ▶ examine the key features and provisions of the four new Labour Codes
- ▶ evaluate the expected and actual impact of these reforms on workers and employers
- ▶ identify the concerns and implementation challenges associated with labour reforms

Background

India's labour law landscape has long been criticised for being fragmented, outdated, and difficult to navigate for both employers and workers. In response, a significant policy shift occurred with the introduction of four Labour Codes between 2019 and 2020, which subsumed 29 existing central laws into simplified and comprehensive legal frameworks. These include the Code on Wages, Industrial Relations Code, Code on Social Security, and the Occupational Safety, Health and Working Conditions Code. The reforms aim to ensure better worker protection, improve ease of doing business, and expand the scope of labour rights to the informal sector, gig workers, and migrants. However, while the reform process has been praised for its intent, it has also been met with apprehensions about the weakening of trade union rights, employment security, and state-level readiness for enforcement.

Keywords

Labour Codes, Wage Code, Social Security, Industrial Relations

Discussion

4.1.1 Labour Reforms

Labour reforms, in general, refer to the deliberate changes made to laws, policies, and regulations governing employment relationships, working conditions, and labour rights. These reforms are often undertaken by governments to adapt to evolving economic realities, technological advancements, and shifts in the labour market. The objectives of labour reforms typically include improving worker protection, enhancing productivity, encouraging formal employment, reducing regulatory complexities, and fostering a more flexible and competitive labour environment. While the specific nature of reforms may vary across countries, they usually aim to strike a balance between the interests of workers, employers, and the broader goals of economic development and social justice.

► To adapt to evolving economic realities

Labour reforms in India represent a significant shift in the approach to regulating work, employment conditions, and industrial relations. These reforms aim to modernise and streamline the complex and often outdated legal framework that governs labour matters in the country. For decades, India's labour laws were seen as fragmented, with multiple overlapping statutes at both central and state levels, leading to confusion, compliance challenges, and limited effectiveness in protecting workers' rights or promoting ease of doing business. Labour reforms are thus intended to strike a balance between ensuring workers' welfare and rights while also creating a more conducive environment for investment, productivity, and economic growth.

4.1.2 Labour reforms in India

Labour falls under the Concurrent List of the Indian Constitution, meaning both the Parliament and the state legislatures have the authority to make laws on the subject. Prior to the recent reforms, the regulatory framework was



highly fragmented, with over 40 central laws and more than 100 state-level laws governing various aspects of labour and employment.

Recognising the need for simplification, the Second National Commission on Labour, constituted in 2002, proposed a major restructuring of labour laws. It observed that the existing legislation was outdated, complicated, and marked by overlapping provisions and inconsistent definitions. To address these issues, the Commission recommended consolidating the laws into broader categories such as industrial relations, wages, social security, safety, welfare, and working conditions. The goal was to ensure greater clarity, transparency, and ease of compliance for all stakeholders.

In response to these recommendations, the Central Government initiated a comprehensive reform process. In 2019, it introduced four new labour codes aimed at subsuming 29 central labour laws. These include the Code on Wages, the Industrial Relations Code, the Code on Social Security, and the Occupational Safety, Health and Working Conditions Code. The Code on Wages was passed in 2019, while the remaining three codes were initially referred to the Standing Committee on Labour. After incorporating the committee's suggestions, revised versions of these three bills were introduced and subsequently passed in September 2020.

Although the Code on Wages had its draft rules prepared as early as 2019, the Ministry of Labour decided to notify the rules for all four codes simultaneously. This approach was adopted to ensure coordinated and uniform implementation across the codes. As a result, the final rules for the Wage Code and the others have been pending notification, awaiting a unified rollout.

► Need for simplification

Disclaimer for Learners

It is crucial for learners to note that while the four Labour Codes discussed in this unit—namely, the Code on Wages, the Industrial Relations Code, the Code on Social Security, and the Occupational Safety, Health and Working Conditions Code—have been enacted by the Parliament of India, their provisions have not yet been fully brought into force or notified by the Government of India. As a result, the older labour laws that these Codes are meant to consolidate and replace remain largely in operation at present.

4.1.2.1 Code on Wages, 2019

The Code on Wages, 2019 was enacted by the Indian Parliament as part of the government's broader initiative to rationalise and simplify the country's complex labour laws. This Code seeks to regulate the payment of wages and bonuses across all sectors involving industry, business, trade, or manufacturing activities. It consolidates and replaces four earlier laws: the Minimum Wages Act, 1948, Payment of Wages Act, 1936, Payment of Bonus Act, 1965, and Equal Remuneration Act, 1976.

Unlike the earlier laws that applied only to scheduled employments, the Code on Wages has universal application. It covers all employees, regardless of sector or wage level. The responsibility for determining wage rates is shared between the central and state governments. The central government is empowered to set wages for specific sectors such as mines, railways, and oil fields, while state governments regulate wages in all other areas.

Wages, as defined under the Code, encompass salary, allowances, and other monetary benefits, excluding items like bonuses and travel allowances. A notable feature of the Code is the introduction of a floor wage, which will be set by the central government after taking into account the living standards of workers. This floor wage may vary regionally to reflect differences in the cost of living. Both central and state governments must ensure that their prescribed minimum wages are not below this floor wage. If existing minimum wages are higher than the floor wage, they cannot be lowered.

► Determining minimum wages

In determining minimum wages, the government is required to consider factors such as the complexity of the work and the level of skill involved. These rates must be reviewed at least once every five years. Employers are prohibited from paying less than the minimum wage, and provisions are included to ensure that employees working overtime are compensated at a rate not less than twice the normal wages.

The Code also allows employers to fix the wage payment period on a daily, weekly, fortnightly, or monthly basis. Deductions from wages are permitted in specific cases such as fines, unauthorised absences, accommodation provided by the employer, and salary advances. However, total deductions cannot exceed 50% of the total wages.



Employees earning below a prescribed threshold will be entitled to receive an annual bonus. The Code also introduces strong anti-discrimination provisions, prohibiting gender-based discrimination in wage payment and recruitment for the same or similar types of work. It defines similar work as that requiring equivalent skill, effort, experience, and responsibility.

► To regulate the payment of wages and bonuses

To support the implementation of the Code, advisory boards will be constituted at both central and state levels. These boards will include equal representation from employees and employers, alongside independent members and government representatives. At least one-third of the members must be women. The boards are tasked with advising the government on wage-related matters and promoting employment opportunities for women.

The Code prescribes penalties for violations by employers, including for failing to pay the minimum wage. In such cases, penalties may include imprisonment of up to three months and fines of up to ₹1 lakh.

Concerns Regarding the Code

Despite its objectives of simplification and transparency, several concerns have been raised regarding the Code on Wages. One major issue is the lack of clarity about the precise formula or method for calculating minimum wages, as well as ambiguity around the authority responsible for making such determinations. The criteria for setting wages based on region, skill level, and job difficulty involve a degree of subjectivity, raising concerns about the potential for administrative discretion and lobbying.

► Criticisms against the Code

Another point of criticism relates to the Code's provisions on wage deductions. Since deductions can be made for various reasons, including fines and advances, there is concern that employers might misuse these clauses to discourage unionisation or collective bargaining.

Furthermore, the Code omits provisions that held the principal employer accountable in cases where contractors failed to pay wages. Given the widespread use of contract labour in India, this is viewed as a significant gap in ensuring wage security. The broad definition of 'principal employer' also complicates enforcement, making it difficult to assign clear responsibility.

Finally, the Code limits workers' access to judicial recourse by removing the jurisdiction of regular courts in wage disputes. Workers are now restricted to approaching quasi-judicial authorities and appellate bodies established under the Code, which some argue may weaken the enforcement of wage rights and delay justice.

4.1.2.2 Industrial Relations Code, 2020

The Industrial Relations Code, 2020 is one of the four consolidated labour codes introduced by the Government of India to streamline and modernise existing labour legislation. It merges and simplifies provisions from three earlier laws: the Industrial Disputes Act, 1947, the Trade Unions Act, 1926, and the Industrial Employment (Standing Orders) Act, 1946.

One significant change introduced by the Code relates to the requirement for standing orders—formal rules outlining employment conditions and workplace conduct. Earlier, under the 1946 Act, industrial establishments employing 100 or more workers were required to formulate and clearly communicate these standing orders. The new Code raises this threshold to 300 workers. According to the government, this change is intended to offer greater operational flexibility to employers and encourage job creation by easing restrictions on hiring and termination processes.

► Operational flexibility to employers

The Code maintains the provision that establishments employing over 300 workers must obtain prior approval from the appropriate government authority before proceeding with layoffs, retrenchments, or closures. This is aimed at protecting workers in larger enterprises while providing smaller establishments with more autonomy.

► Streamline and modernise existing labour legislation

Another major feature of the Code is the tightening of conditions around legal strikes. Workers are now required to give a notice of at least 60 days before going on strike. Additionally, strikes are prohibited during ongoing proceedings before a Tribunal or the National Industrial Tribunal, and for a 60-day period following the conclusion of such proceedings. These provisions are intended to prevent disruptions in industrial operations and promote alternative dispute resolution.

The Code also introduces the concept of a re-skilling fund to support workers who are retrenched. This fund is to be financed by employer contributions, equivalent to 15 days' worth of



the last drawn wages of each retrenched worker. The aim is to facilitate the training and redeployment of displaced workers in new roles or sectors.

Concerns Regarding the Industrial Relations Code

While the Code aims to create a more employment-friendly regulatory environment, it has drawn criticism for potentially undermining worker protections. One of the primary concerns is that by increasing the threshold for standing orders to 300 workers, the Code allows employers in smaller establishments to bypass formal obligations related to employment terms, making it easier to hire and dismiss workers without due process.

The revised provisions governing legal strikes are also seen as excessively restrictive. The extended notice period and limitations during tribunal proceedings make it difficult for workers to organise collective action, potentially weakening their bargaining power.

► Potentially undermining worker protections

Another area of concern is the vagueness surrounding the implementation of the re-skilling fund. Critics argue that the fund's structure appears arbitrary, with little clarity on the mechanisms for collecting and managing the funds, or how the reskilling will be effectively delivered and monitored.

Overall, while the Industrial Relations Code seeks to balance the interests of employers and employees, its practical implications on labour rights and job security continue to be the subject of debate among stakeholders.

4.1.2.3 Code on Social Security, 2020

The Social Security Code, 2020 marks a significant step in the effort to consolidate and rationalise India's existing social security laws. It merges nine previous legislations, including the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Employees' State Insurance Act, 1948, and the Maternity Benefit Act, 1961, among others. The Code aims to extend the coverage of social security benefits to all workers, especially those in the informal and unorganised sectors, which constitute a vast majority of India's workforce.

A major feature of the Code is the broadened definition of "employees." It now includes categories such as inter-state migrant labourers, construction and building workers, workers

in the film industry, as well as platform and gig workers. This inclusive approach seeks to address long-standing concerns over the lack of legal and welfare protections for informal and non-traditional workers.

► Rationalising social security laws

The Code also introduces a reduced qualifying period for gratuity in the case of working journalists, lowering the required continuous service from five years to three years. This measure acknowledges the unique employment patterns and job instability often found in media professions.

For the first time, the Code mandates the creation of dedicated social security funds for unorganised workers, gig workers, and platform workers. These funds are intended to support schemes and welfare measures for those not covered under regular employment-based benefit systems.

Another provision grants the central government the authority to reduce or defer employer and employee contributions to schemes such as the Employees' Provident Fund (EPF) or Employees' State Insurance (ESI) for a period of up to three months during extraordinary circumstances, such as a pandemic, natural disaster, or epidemic. This flexibility is aimed at easing the financial burden on both employers and employees during times of national crisis.

► Easing the financial burden

The Code also envisions the establishment of a National Social Security Board, which will be responsible for advising the central government on formulating welfare schemes tailored for gig, platform, and unorganised sector workers. The Board's role will be critical in shaping inclusive policies that respond to the evolving nature of work and employment in the digital and informal economy.

By seeking to universalise social security and simplify the regulatory structure, the Social Security Code, 2020 aspires to build a more equitable and responsive welfare system, though its actual impact will depend heavily on the quality of implementation and the adequacy of funding mechanisms.

4.1.2.4 Code on Occupational Safety, Health and Working Conditions, 2020

The Occupational Safety, Health and Working Conditions (OSH) Code, 2020 consolidates and rationalises 13 existing labour laws related to workplace safety, health standards, and



conditions of employment. It aims to simplify compliance procedures, ensure better working conditions across various sectors, and bring more workers under a uniform regulatory framework.

One of the significant changes introduced by the Code is the redefinition of a factory. Under the new provisions, a premise will be considered a factory if it employs at least 20 workers for a manufacturing process involving power, or 40 workers for a process that does not use power. Furthermore, the Code removes any threshold limit in the case of hazardous working environments, making its provisions applicable regardless of the number of workers involved.

For contract labour, the Code expands its applicability to establishments employing 50 or more contract workers, increasing the threshold from the earlier limit of 20. This is expected to extend workplace safety norms to a larger number of establishments, especially in the growing informal and contractual employment sectors.

► Workplace safety, health standards, and conditions of employment

The Code limits the maximum number of daily working hours to eight, bringing clarity and standardisation in labour time regulations. It also makes a progressive move by permitting the employment of women in all establishments and during night shifts (between 7 PM and 6 AM), provided they give their consent and appropriate safety measures are ensured.

To promote formalisation, the Code makes it mandatory for employers to issue appointment letters to employees, thereby helping workers establish an official employment relationship and gain access to social and legal protections.

The Code also introduces a new definition for inter-state migrant workers, recognising any individual who travels on their own from one state to another and earns up to ₹18,000 per month in the destination state. This shift moves beyond the earlier definition that was restricted to workers recruited through contractors.

In terms of entitlements, the Code extends the portability of social security and welfare benefits for inter-state migrant workers. These workers are now entitled to access ration facilities and welfare schemes, such as those funded by the Building and Other Construction Workers' Cess, in the state where they are employed.

► New definitions

A noteworthy addition is the provision for Journey Allowance, which mandates employers to cover the travel costs incurred by a worker returning to their native state from the place of employment. However, the Code omits the earlier requirement of providing temporary accommodation for workers near construction or project sites—raising concerns about worker welfare in remote or inaccessible areas.

Through these provisions, the OSH Code seeks to create safer, more equitable, and better-regulated workplaces while addressing the realities of India's diverse and mobile workforce. Yet, the effectiveness of the Code will largely depend on its enforcement, especially in sectors where informality and lack of compliance are prevalent.

4.1.3 Impact of labour reforms

In recent years, India has undertaken a significant overhaul of its labour regulatory framework by consolidating 29 central labour laws into four comprehensive codes: the Code on Wages, the Industrial Relations Code, the Code on Social Security, and the Occupational Safety, Health and Working Conditions Code. These reforms aim to modernise outdated legislation, improve compliance, enhance ease of doing business, and expand the social security net to cover informal and gig economy workers. While the intent is to simplify and rationalise the complex web of labour laws, the actual impact has been mixed, generating both optimism and concern. The reforms have introduced greater flexibility for employers and streamlined regulations, but they have also sparked debates over worker protections, implementation delays, and the dilution of trade union rights. Understanding the impact of these reforms requires a balanced look at their effects on formalisation, industrial relations, social protection, and overall labour market dynamics.

► Greater flexibility

Positive Impacts:

1. **Simplification and rationalisation:** The reforms have streamlined a complex legal structure into four unified codes, making compliance easier for businesses and administration more efficient for government agencies.
2. **Promotion of formalisation:** By recognising gig, platform, and unorganised workers under the law and requiring written employment contracts, the reforms are seen as a step toward greater formalisation of the labour force.
3. **Enhanced social security:** New provisions aim to extend



benefits such as provident funds, health insurance, and maternity leave to previously uncovered groups, including inter-state migrant workers and self-employed individuals.

4. Flexibility in employment practices: Raising thresholds for lay-offs, introducing fixed-term employment, and enabling easier registration and licensing processes may encourage businesses to expand and hire more workers.

Concerns and Challenges:

1. Weakened worker protections: Increasing the threshold for mandatory government approval for retrenchment and closure from 100 to 300 workers could lead to job insecurity in smaller establishments.
2. Dilution of collective bargaining rights: Stricter conditions on legal strikes and procedural hurdles may weaken the ability of trade unions and workers to collectively negotiate or protest.
3. Uncertainty in social security delivery: Although gig and unorganised workers have been brought under the purview of social security, there is limited clarity on funding mechanisms, scheme design, and actual implementation.
4. Implementation and state-level readiness: Delays in rule-making and uneven preparedness among states have hindered the full rollout of the codes, raising questions about the consistency and effectiveness of enforcement.

Summarized Overview

This unit offers a detailed analysis of India's recent labour reforms, focusing on the four Labour Codes designed to consolidate and modernise the country's complex labour laws. The Code on Wages, 2019, standardises wage structures and introduces a national floor wage. The Industrial Relations Code, 2020, redefines employment rules and collective bargaining thresholds. The Code on Social Security, 2020, expands welfare benefits to gig and unorganised workers, while the OSH Code, 2020, strengthens workplace safety norms. Together, these reforms aim to boost formal employment, reduce compliance complexity, and widen social security coverage. However, implementation delays, lack of clarity in rule-making, and potential dilution of worker rights have led to criticism.

The real impact of these reforms will depend on effective enforcement, transparent administration, and a balanced approach to labour justice and economic efficiency.

Self-Assessment

1. Discuss the objectives and major components of India's recent labour law reforms. How do they address the previous challenges in the labour legal framework?
2. Explain the key provisions and concerns related to the Code on Wages, 2019, and the Industrial Relations Code, 2020.
3. Evaluate the role of the Code on Social Security, 2020, in expanding welfare benefits to gig and unorganised sector workers.
4. What are the expected benefits and potential drawbacks of the labour reforms from the perspectives of both employers and workers?

Assignments

1. Why was codification of labour laws seen as necessary by reform advocates?
2. How did the Second National Commission on Labour influence recent legislative changes?
3. Critically assess the potential impact of labour reforms on collective bargaining rights.

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UNIT 2

Informal Sector and Unorganised Workers

Learning Outcomes

Upon completion of the unit, the learner will be able to:

- ▶ understand the characteristics and significance of the informal sector in India
- ▶ distinguish between formal and informal employment in terms of protection and structure
- ▶ examine the provisions of the Unorganised Workers' Social Security Act, 2008
- ▶ explore the role of central, state, and local bodies in welfare delivery for unorganised workers

Background

The informal sector forms the backbone of the Indian economy, engaging over 80% of the non-agricultural workforce and providing livelihoods to millions, particularly in urban slums and rural peripheries. Characterised by unregulated work arrangements, low pay, and a lack of social security, this sector includes street vendors, domestic workers, and small-scale service providers. Despite its economic importance, informal employment often lacks legal recognition, exposing workers to exploitation and economic vulnerability. To bridge this gap, the Unorganised Workers' Social Security Act, 2008, was enacted, aiming to provide welfare measures through central and state schemes, advisory boards, and facilitation centres. Effective implementation of these initiatives remains vital for inclusive growth and social justice in India.

Keywords

Informal Employment, Unorganised Workers, Social Security, Vulnerability

► Without formal recognition

4.2.1 Meaning of the Informal Sector

The informal sector refers to the part of the economy where economic activities are carried out without formal recognition, registration, or regulation by the government. It is marked by its unstructured and often temporary nature, where enterprises and workers function outside the boundaries of formal legal and institutional frameworks. This segment plays a significant role in providing livelihood opportunities, especially in developing countries, but it often lacks access to formal protections and support mechanisms.

Formal and Informal Employment

Understanding the difference between formal and informal employment is essential to assess the quality of work, legal protection, and access to social security. Formal employment typically exists within regulated, registered establishments. Workers in this segment have written contracts, are covered by labour laws, and enjoy entitlements such as paid leave, provident funds, health insurance, and job security. In contrast, informal employment includes casual labour, self-employment, or unpaid family work, generally outside the purview of legal safeguards.

Key distinguishing features include:

1. **Employment Status:** Formal jobs are governed by written contracts, while informal jobs are largely unwritten and based on verbal agreements or self-employment.
2. **Size and Registration of Enterprise:** Formal workers are found in registered firms, whereas informal employment usually occurs in small, unregistered units.
3. **Social Security Coverage:** Formal employees receive benefits like provident funds, medical insurance, and gratuity, which are rarely extended to informal workers.
4. **Wage and Payment Structure:** Formal sector wages are fixed and documented, while informal workers often receive irregular, lower payments, mostly in cash and with-

► Comparing formal and informal employments

out proof.

5. **Labour Law Compliance:** Formal jobs adhere to laws regarding wages, working hours, occupational safety, and leave policies; such protections are minimal or absent in the informal sector.
6. **Tax Compliance:** Formal sector enterprises are tax-paying entities, while informal operations often evade taxes due to a lack of registration.
7. **Bargaining Power:** Workers in formal employment can form unions and negotiate collectively, whereas informal workers typically lack organisation and bargaining strength.
8. **Skill and Education Requirements:** Although both sectors include low-skilled roles, formal sector jobs usually demand higher skill levels and educational qualifications.
9. **Women's Participation:** A large proportion of women, particularly from economically and socially disadvantaged backgrounds, are engaged in informal employment such as domestic work or casual labour, often without any legal or social protection.

Characteristics of the Informal Sector

The informal sector represents a broad and dynamic segment of the economy that functions largely outside formal regulatory and taxation systems. It encompasses a wide variety of economic activities and employment arrangements, often providing livelihoods to those excluded from the formal job market. This sector includes occupations ranging from street vending and small-scale agriculture to informal construction work and personal services.

Some key features of the informal sector include:

- **Wide Diversity of Activities:** The informal sector includes a vast range of economic undertakings, from traditional crafts and small retail operations to services in areas like transportation, domestic work, and even informal professional assistance. This diversity reflects the sector's capacity to meet varied consumer needs across urban and rural areas.

► Outside formal regulatory and taxation systems

- **Lack of Formal Registration and Regulation:** Most informal enterprises are not registered under government frameworks and operate without licences or tax filings. Consequently, they remain outside the purview of labour laws, industrial standards, and social security schemes.
- **Labour-Intensive Nature:** Employment in the informal sector is typically manual and service-based, often involving long working hours, minimal pay, and limited job security. Workers rarely have access to benefits such as health insurance, paid leave, or retirement provisions.
- **Low Barriers to Entry and Exit:** One of the defining traits of the informal sector is its accessibility. Setting up a small venture usually requires little capital, equipment, or bureaucratic formalities. This makes it a viable option for those who are unemployed, under-skilled, or lacking formal qualifications.
- **High Adaptability and Resilience:** Enterprises in this sector often show remarkable flexibility in adjusting to shifting economic conditions. Whether during financial crises or public health emergencies, informal workers and businesses have been able to sustain operations with limited support.
- **Limited Access to Institutional Credit and Technology:** Informal enterprises typically rely on personal savings or informal lending. They often lack collateral or formal records required for institutional credit. Similarly, technological adoption tends to be low due to a lack of infrastructure, awareness, or affordability.
- **Exposure to Vulnerabilities and Exploitation:** Without formal contracts or legal backing, workers in the informal sector are more susceptible to poor working conditions, wage exploitation, and job insecurity. Their limited bargaining power further restricts their ability to demand fair treatment or organise collectively.
- **Significant Economic Contribution:** Despite operating outside the formal system, the informal sector makes a

substantial contribution to employment generation and economic output. In many developing economies, it supports the livelihoods of a large segment of the population and plays a key role in the supply of essential goods and services.

4.2.2 Informal Sector in India

The informal sector in India constitutes a significant part of the country's economy and workforce. It refers to economic activities and employment arrangements that operate beyond the purview of formal regulations, taxation, and social security systems. Estimates suggest that more than 80% of India's non-agricultural workforce is engaged in the informal sector, highlighting its vital role in livelihoods and national economic output.

Range of Informal Sector Activities

The informal sector in India is highly diversified and includes a broad array of occupations and enterprises. Some common examples include:

1. **Street Vendors:** Found in nearly every urban and semi-urban area, street vendors sell food, clothing, household items, electronics, and more.
2. **Small-Scale Manufacturing:** Numerous unregistered units produce garments, handicrafts, tools, construction materials, and other goods.
3. **Domestic Work:** Workers engaged in cooking, cleaning, childcare, and elderly care form a substantial portion of urban informal employment.
4. **Personal Services:** This includes barbers, beauticians, rickshaw drivers, cobblers, and other service providers catering to everyday consumer needs.

► Significant part of the country's economy

Key Features of Informal Sector Employment

Employment in the informal economy typically shows the following characteristics:

1. **Low and Irregular Incomes:** Workers often earn minimal wages, frequently paid in cash without formal records,

making them financially insecure.

2. **Lack of Job Security:** Employment is usually temporary or casual, with no assurance of continuity or benefits such as severance pay.
3. **No Social Protection:** Workers in this sector are generally excluded from pension schemes, health insurance, paid leave, or maternity benefits.
4. **Unsafe Working Conditions:** Due to minimal regulation and oversight, many informal jobs involve long hours and exposure to occupational hazards without adequate safety measures.

Challenges Facing the Informal Sector

Despite its scale and importance, the informal sector faces several persistent challenges:

1. **Worker Vulnerability:** Informal workers often lack legal contracts or grievance mechanisms, making them prone to exploitation and income shocks.
2. **Limited Financial Access:** Informal enterprises struggle to obtain loans or credit due to the absence of documentation, business registration, or collateral.
3. **Complex Path to Formalization:** Many informal businesses find it difficult to transition into the formal economy because of bureaucratic hurdles, high compliance costs, and tax burdens.

Opportunities Provided by the Informal Sector

The informal sector also presents significant opportunities that contribute to economic and social development:

1. **Employment Creation:** It absorbs a large portion of low-skilled, rural, and urban migrants, offering livelihoods to those excluded from formal jobs.
2. **Encouraging Entrepreneurship:** Many micro-enterprises and self-employed individuals in this sector demonstrate resilience, adaptability, and innovation, often starting businesses with minimal investment.



3. Economic Contribution: Informal activities contribute significantly to national GDP, particularly in construction, retail trade, transport, and other service sectors.

4.2.3 Unorganised Workers' Social Security Act, 2008

The Unorganised Workers' Social Security Act, 2008 defines an unorganised worker as someone engaged in home-based work, self-employment, or wage employment in the unorganised sector. It also includes those working in the organised sector who are not covered under specific labour laws listed in Schedule II of the Act, such as the Employees' Compensation Act (1923), Industrial Disputes Act (1947), Employees' State Insurance Act (1948), Employees' Provident Funds and Miscellaneous Provisions Act (1952), Maternity Benefit Act (1961), and the Payment of Gratuity Act (1972).

► Not covered under specific labour laws

4.2.3.1 Definitions (Section 2)

Section 2 of the Act defines key terms that outline the scope of beneficiaries under the legislation:

1. Unorganised Worker: A person who is a home-based worker, self-employed worker, or a wage worker in the unorganised sector. It also includes a worker in the organised sector who is not covered by any of the labour laws listed in Schedule II of the Act.
2. Self-Employed Worker: An individual who is not employed by an employer but engages in any occupation within the unorganised sector, subject to a monthly earning limit as notified by the government, or someone who owns cultivable land within a specified ceiling.
3. Wage Worker: A person employed for remuneration in the unorganised sector, either directly by an employer or through a contractor. This includes those working as casual or migrant labourers, home-based workers, or domestic workers, regardless of whether they are employed by a single employer or multiple employers. Their wages may be paid in cash or kind, and must fall within the earnings limit specified by the government.
4. Home-Based Worker: A person who produces goods or services for an employer from their own home or premises of

choice, rather than at the employer's workplace, regardless of whether tools or materials are provided by the employer.

5. Unorganised Sector: Refers to enterprises owned by individuals or self-employed persons engaged in producing or selling goods or providing services, where the total number of workers is less than ten.

4.2.3.2 Central Government Schemes (Section 3(1))

Section 3(1) of the Unorganised Workers' Social Security Act, 2008 empowers the Central Government to formulate and notify, from time to time, suitable welfare schemes for unorganised workers. These schemes are to address the following areas:

- o Life and disability cover
- o Health and maternity benefits
- o Old age protection
- o Any other benefit as may be determined by the Central Government

These schemes aim to provide a basic layer of social security to workers in the unorganised sector, addressing their most immediate and essential needs.

4.2.3.3 State Government Schemes (Section 3(4))

According to Section 3(4) of the Unorganised Workers' Social Security Act, 2008, State Governments are empowered to formulate and notify, from time to time, appropriate welfare schemes for unorganised workers. These may include provisions for:

- o Provident fund
- o Employment injury benefits
- o Housing support
- o Educational schemes for children
- o Skill upgradation of workers
- o Funeral assistance
- o Old age homes

These state-level schemes are intended to complement the central initiatives by addressing region-specific needs and

ensuring broader coverage of social security for unorganised workers.

4.2.3.4 National Social Security Board (Section 5)

As per Section 5 of the Unorganised Workers' Social Security Act, 2008, the Central Government shall constitute a National Social Security Board for unorganised workers. The Board will be chaired by the Union Minister for Labour and Employment. The Director General (Labour Welfare) will act as the Member Secretary. The Board shall consist of 34 nominated members, representing unorganised sector workers, employers of unorganised workers, eminent persons from civil society, Members of Parliament (Lok Sabha and Rajya Sabha), and central government ministries and departments, state governments. The Act also mandates adequate representation for scheduled castes, scheduled tribes, minorities, and women.

The primary functions of the Board include:

1. Recommending suitable welfare schemes for different categories of unorganised workers
2. Advising the Central Government on matters related to the administration of the Act
3. Monitoring the implementation and progress of social welfare schemes
4. Reviewing the registration process and the issuance of identity cards
5. Overseeing the functioning of record-keeping and fund utilisation under various schemes

► Mechanism for co-ordination

The Board plays a pivotal role in ensuring that the objectives of the Act are met in a coordinated and inclusive manner.

4.2.3.5 State Social Security Boards (Section 6)

Under Section 6 of the Act, every State Government is required to constitute a State Social Security Board to oversee the welfare of unorganised workers at the state level. The Board will be chaired by the State Labour Minister, and the Principal Secretary or Secretary of Labour will serve as the Member Secretary. It will consist of 28 nominated members, including representatives from unorganised workers, employers, civil society, members of the Legislative Assembly, and relevant

► Welfare of unorganised workers at the state level

State Departments. The Board will advise the State Government on policy matters, recommend welfare schemes, monitor their implementation, and oversee the registration and delivery of benefits to unorganised workers. Provisions are made to ensure adequate representation of scheduled castes, scheduled tribes, minorities, and women.

4.2.3.6 Funding of State Schemes (Section 7)

Section 7 outlines the funding mechanism for schemes formulated by State Governments:

- o State schemes may be funded entirely by the State Government,
- o Or funded partly by the State Government and partly through contributions from workers or employers.
- o States may also request financial assistance from the Central Government, which may be provided on terms and conditions determined by the Centre.

4.2.3.7 Record-Keeping by District Administration (Section 8)

As per Section 8, the District Administration is responsible for maintaining records related to the implementation of the Act. The State Government may delegate this responsibility to:

- o District Panchayats in rural areas
- o Urban Local Bodies in urban areas

This provision aims to strengthen local governance and ensure accurate documentation and tracking of welfare schemes and beneficiaries.

4.2.3.8 Workers' Facilitation Centres (Section 9)

Section 9 provides for the establishment of Workers' Facilitation Centres by the State Government to support unorganised workers in accessing social security benefits. These centres are intended to perform the following functions:

- o Disseminate information about available social security schemes
- o Facilitate registration of unorganised workers by assisting in filling and submitting application forms to the district administration

- o Support enrolment of registered workers in the respective welfare schemes

These centres serve as key access points for ensuring last-mile delivery of services and improving awareness among informal workers.

4.2.3.9 Miscellaneous Provisions (Sections 11–17)

Sections 11 to 17 contain provisions that ensure the effective administration and legal functioning of the Act. These include:

1. Power of the Central Government to issue directions to the National Board and State Governments for implementing the Act (Section 11)
2. Validation of proceedings, ensuring that vacancies or procedural defects do not invalidate the work of Boards (Section 12)
3. Rule-making powers granted to both the Central and State Governments for carrying out the provisions of the Act (Sections 13 and 14)
4. Requirement to place rules before Parliament or State Legislatures for transparency (Section 15)
5. Savings clause that preserves any more beneficial state-level welfare laws for unorganised workers (Section 16)
6. Power to remove difficulties in implementation, allowing the Central Government to make necessary provisions by notification (Section 17)

These sections form the administrative backbone of the Act, enabling its smooth operation and future adaptability.

Summarized Overview

This unit explores the informal sector in India, which plays a crucial role in employment and economic contribution but remains largely outside the ambit of labour laws and formal protections. It distinguishes between formal and informal employment, highlighting disparities in income, job security, and access to benefits. The Unorganised Workers' Social Security Act, 2008 provides a framework for the welfare of home-based, self-employed, and wage workers in the informal economy. The Act mandates the creation of national and state-level social security boards, formulation of welfare schemes, and establishment of facilitation centres for registration and benefit delivery. Despite the legal framework, the sector continues to face challenges like limited awareness, administrative gaps, and financial constraints. The path to formalisation and protection of this massive workforce remains a policy priority.

Self-Assessment

1. Define the informal sector and explain how it differs from the formal sector in terms of employment conditions and protections.
2. Discuss the main features and challenges of informal sector employment in India.
3. Describe the key provisions of the Unorganised Workers' Social Security Act, 2008, and its implementation mechanism.
4. What role do Workers' Facilitation Centres and social security boards play in supporting unorganised workers?

Assignments

1. What are the major reforms introduced under the Code on Wages, 2019?
2. How does the Industrial Relations Code attempt to consolidate dispute resolution provisions?
3. Describe the innovative provisions of the Social Security Code for gig and platform workers.



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UNIT 3

Emerging Trends and Future Directions

Learning Outcomes

Upon completion of the unit, the learner will be able to:

- ▶ understand the impact of globalisation on labour laws and employment structures
- ▶ examine the role and challenges of gig and platform workers in the modern labour market
- ▶ analyse the provisions of the Code on Social Security, 2020 concerning non-traditional workers
- ▶ identify future challenges and policy directions in labour legislation and administration

Background

The globalised economy, powered by digital platforms and cross-border trade, has transformed the nature of work and labour governance. As traditional employment models give way to gig-based and platform-mediated labour, governments face the task of adapting outdated laws to new realities. In India, recent reforms like the Code on Social Security, 2020 mark a significant shift in recognising and supporting informal, gig, and platform workers. Meanwhile, globalisation continues to reshape labour markets, creating both opportunities and inequalities. As digitalisation, automation, and non-standard work expand, labour legislation and administration must evolve to ensure protection, equity, and decent work for all segments of society.

Keywords

Globalisation, Gig Workers, Labour Codes, Social Security

4.3.1 Globalisation and Labour Laws

Imagine a world where people, goods, and ideas move freely across countries. This is what we mean by globalisation. Over the last few decades, globalisation has become a powerful force shaping our economies, societies, and the way we work. As countries trade more with each other and as businesses spread their operations across borders, the rules that protect workers—known as labour laws—have also had to change.

► Free movement of people, goods and ideas

For Public Administration professionals, it is important to understand how globalisation affects workers, employment policies, wages, and the role of the government in safeguarding rights. This unit will help you understand how globalisation and labour laws interact, what challenges arise, and how public policies can respond effectively.

Understanding the Impact of Globalisation on Labour

In recent years, there has been much debate about how globalisation affects workers. People have raised concerns such as:

- Are jobs moving from one country to another where labour is cheaper?
- Are workers in rich countries losing their jobs?
- Are workers in poor countries being exploited?

Two major changes have made these concerns more urgent:

1. **The Rise of Big Developing Economies:** Countries like China and India have become major players in the global economy. They are involved in trade and receive a lot of foreign investment. As a result, the number of people competing in the global labour market has increased significantly.
2. **Technology and Global Supply Chains:** With the help of technology, companies can now spread different parts of their production process across the world. For example, a product might be designed in the United States, manufactured in Vietnam, and sold in Europe. This type of arrange-

ment is called a global supply chain. It has changed the way countries trade and how workers are employed.

3. Division of Labour in the Global Economy: Globalisation has led to a division of work between countries, based on what each country can do best. This idea comes from international trade theory, which says that every country has certain advantages.

Economist Thomas Oatley (2011) explained this global division as follows:

- Rich, industrialised countries (like the US, Germany, Japan) are good at making goods that need skilled workers and advanced machines.
- The first group of Asian countries (like South Korea and Singapore) make standardised goods like electronics.
- The second group of developing countries (like Indonesia, Mexico, and Thailand) focus on products that need a lot of manual labour—like clothes and shoes.
- Poorer countries (like those in Africa and parts of Asia) mostly export raw materials like minerals or agricultural products.

This pattern affects what kind of jobs are available in each country and how much workers are paid.

Wages, Employment, and Inequality

One of the biggest criticisms of globalisation is that it leads to wage inequality. That means the gap between rich and poor workers gets bigger. Economists use theories like the Heckscher-Ohlin Model and Stolper-Samuelson Theorem to explain this. In simple terms, these models say:

- In countries where there are many skilled workers, their wages may rise.
- In countries with mostly unskilled workers, wages may fall or remain low.

However, newer research shows that technology, not just

► Gap between rich and poor

trade, is a major reason for rising inequality. Machines and computers have replaced many routine jobs, making it harder for low-skilled workers to compete. As a result, even some middle-income countries are seeing greater income inequality, not just the rich or poor ones. As public administrators, this trend is important because it means governments must step in to protect vulnerable workers and ensure fairness.

Public Policy Responses to Globalisation

Governments cannot stop globalisation—but they can manage its effects. According to international organisations like the IMF and OECD, good public policy should:

- Strengthen labour markets so they can adjust to changes.
- Improve access to education and skill training, especially for low-income and rural populations.
- Create strong social safety nets, such as unemployment benefits, health insurance, and job support programmes.
- Ensure decent working conditions through updated labour laws and proper enforcement.

These actions help make sure that globalisation benefits more people and does not leave anyone behind.

Globalisation has deeply influenced the way people work and how governments make laws to protect them. As the world becomes more connected, countries tend to specialise in what they do best, which leads to changes in job types and wages. While globalisation brings growth and new opportunities, it also creates challenges such as job insecurity and wage gaps. For public administration, the key lies in balancing growth with equity. This means designing and implementing policies that help workers adapt to global changes, protect their rights, and support those who are left behind. With careful planning and people-centric governance, globalisation can be turned into a force for inclusive development.

► Creates challenges

► Formal recognition and inclusion

4.3.2 Gig and Platform Workers

In a major policy shift, India's newly passed labour codes have brought an important and progressive change—the formal recognition and inclusion of gig and platform workers under social security coverage. This is the first time Indian labour law has acknowledged these categories of workers who were earlier



left out of traditional labour protections.

With the growth of technology and digital services, new forms of work have emerged. Workers today are not always employed in regular 9-to-5 jobs. Many now take up short-term, freelance, or online-based work assignments. These people, who are part of the gig and platform economy, often lack job security, health benefits, or retirement support. Recognising this, the Code on Social Security, 2020 has introduced provisions to extend certain benefits and protections to them.

4.3.2.1 Who Are Gig Workers?

Gig workers are individuals who take up short-term, flexible, and task-based work that usually falls outside the boundaries of regular full-time employment. They are not bound by fixed hours or long-term contracts, and they often work for multiple clients or companies. Their employment arrangement is informal and does not follow the traditional employer-employee structure. These workers are found across a wide range of sectors—from event management and software development to writing, designing, or even part-time teaching. According to Section 2(35) of the Code on Social Security, 2020, a gig worker is defined as “a person who performs work or participates in a work arrangement and earns from such activities outside of traditional employer-employee relationships.” Freelancers, independent consultants, and contract-based professionals all fall under this category.

► Outside the boundaries of regular full-time employment

4.3.2.2 Who Are Platform Workers?

Platform workers are a specific type of gig worker who perform their jobs through online platforms or mobile applications. These digital platforms act as intermediaries that connect service providers directly to customers. Platform workers usually take up on-demand tasks, such as driving, delivering food, or providing household services. Examples include Uber or Ola drivers, Swiggy or Zomato delivery personnel, and individuals offering home services through platforms like Urban Company. The Code on Social Security, 2020, in Section 2(55), defines platform work as “a form of employment in which organisations or individuals use an online platform to access other organisations or individuals to solve specific problems or to provide specific services in exchange for payment.” Like gig workers, platform workers are not

► Jobs through online platforms or mobile applications

covered by traditional employment relationships, but they form an essential part of the modern digital economy.

4.3.2.3 Gig and Platform Work: Pros and Cons

The emergence of gig and platform-based employment has transformed the labour market by offering more flexible work arrangements. However, it also raises concerns about job security and social protection. Below are the major advantages and disadvantages of this form of work:

Pros of Gig and Platform Work

1. **Flexibility in Work Schedule:** Workers can choose when to work and for how long. Many even work with multiple organisations simultaneously, which enhances their earning potential.
2. **Opportunity to Explore Interests:** Gig work allows individuals to test their skills in a field of interest before committing to a full-time career. For example, a freelance graphic designer or writer can try out projects on a part-time basis.
3. **Scope for Remote Work:** Many gig and platform-based roles can be performed from remote locations, increasing access to employment opportunities for people living outside major urban areas.

Cons of Gig and Platform Work

1. **Lack of Employment Benefits:** Most gig workers are not entitled to benefits such as health insurance, paid leave, retirement plans, or maternity benefits that regular employees receive.
2. **Income Insecurity and Job Instability:** Pay is often inconsistent and depends on the availability of assignments. There is no guarantee of continued work or stable income.
3. **Algorithmic Control and Limited Autonomy:** While gig work is advertised as flexible, digital platforms often control work patterns through algorithms. These influence work hours, pricing, customer ratings, and even access to future tasks.
4. **Financial Barriers to Entry:** For many Indians, join-

► Opportunities and challenges



ing the platform economy—especially in services like ride-sharing or delivery—requires owning a vehicle. This forces many workers to take loans, often facilitated by the platform companies themselves, leading to financial dependency and risk.

4.3.2.4 Significance of Gig and Platform Workers

Although the concept of gig and platform workers is relatively new in India, it has quickly grown into a vital segment of the economy. This form of employment offers an alternative to traditional jobs and opens up new income avenues, particularly in the context of a rapidly urbanising and digitally connected society.

For a certain class of workers—especially smallholder agrarian labour migrants who have access to vehicular assets—the platform economy has proven to be an attractive and viable option. By participating in delivery or ride-hailing services, these workers are able to generate income, some of which is often reinvested into agriculture or other rural livelihoods. Thus, gig work not only supports urban service delivery but also contributes indirectly to rural economic development.

The COVID-19 pandemic highlighted the essential role played by gig and platform workers, particularly delivery drivers and service agents. When regular supply chains were disrupted, these workers ensured that food, medicines, and other basic necessities reached people's doorsteps. Their efforts helped sustain not only households but also the platform companies themselves, many of which remained operational during the pandemic-induced lockdowns.

Some of the key ways in which gig and platform workers contribute to the Indian economy are:

- 1. Support during Crises:** Their services were critical during emergencies like the pandemic, showcasing their value as frontline service providers.
- 2. Boost to Rural Economies:** The remittances sent by gig workers from urban areas to their families in rural regions aid in local development and help reduce regional economic disparities.
- 3. High Growth Potential:** With increasing urbanisation, the

► Alternative to
Traditional Jobs

demand for on-demand services is expected to grow, expanding the scope for gig-based employment.

4. **Youth Engagement:** This form of work attracts students and young people, offering them an opportunity to earn income without committing to long-term employment.
5. **Reduced Burden on Employers:** For businesses, gig and platform work presents a flexible model. Employers can meet their labour needs without engaging in long-term contracts or providing full employee benefits, reducing their operational costs.

4.3.2.5 Code on Social Security, 2020: Provisions for Gig and Platform Workers

The Code on Social Security, 2020 marks a significant development in India's labour law framework by recognising gig and platform workers as distinct categories and attempting to extend social security benefits to them. This is the first time in Indian legal history that such workers have been formally acknowledged and included in welfare legislation.

Key Provisions of the Code

To access the benefits under the Code, gig and platform workers must be registered on a dedicated online portal. The process of registration and the nature of benefits will be determined by the Central Government. However, certain conditions must be fulfilled for successful registration:

- The worker must be between 16 and 60 years of age.
- The individual must have worked for at least 90 days during the preceding 12 months.
- A self-declaration, submitted electronically or otherwise, must be provided in the prescribed format.

The application must be accompanied by relevant documents, including the Aadhaar number.

Once registered, these workers become eligible for welfare schemes framed by the Central Government for the unorganised sector. The range of benefits may include:

- Accidental insurance
- Life and disability cover
- Old age protection (pensions)

► Extending social security benefits



- Health and maternity benefits
- Creche facilities
- Any other benefits as notified by the government

This inclusion is a major policy shift aimed at integrating informal workers—who often lack any formal employment relationship—into the national social security net.

Why This Recognition Matters

Until the introduction of the new labour codes, gig and platform workers in India were not recognised within the legal framework of labour welfare. As a result, they lacked access to essential benefits such as health insurance, maternity benefits, pensions, or accident coverage. Their informal status made them vulnerable to exploitation and economic insecurity. The Code on Social Security, 2020 marks a historic development by formally defining these workers and extending certain social security benefits to them. This legal recognition is crucial in today's context, as the gig and platform economy continues to grow rapidly in India, especially in urban and semi-urban areas. By bringing these workers under the umbrella of formal protection, the government moves towards more inclusive labour governance and ensures that the changing nature of work does not leave behind those on the margins.

► Legal framework of labour welfare

Future Challenges and Directions for Labour Legislation and Administration

Labour legislation and administration in India are at a critical juncture. Rapid economic transformation, technological changes, demographic shifts, and the rise of non-traditional forms of employment like gig and platform work have raised new questions about how labour should be governed and protected. While reforms like the Labour Codes attempt to modernise the legal framework, many future challenges remain.

Key Challenges Ahead

1. Formalising the Informal Sector

A significant portion of India's workforce remains in the informal sector, which lacks job security, social protection, and legal coverage. Bringing these workers under the umbrella of labour laws remains a top priority. Registration and identification mechanisms need to be streamlined for inclusive policy delivery.

2. Ensuring Rights for Gig and Platform Workers

While gig and platform workers have been recognised in new legislation, they still lack core labour rights like minimum wage guarantees, job security, and grievance redressal. The legal status of such workers needs to be clearly defined. Future policy must address the power imbalance between digital platforms and workers.

3. Technology and the Changing Nature of Work

Automation, artificial intelligence, and remote work are redefining job roles and employment relationships. Labour laws must evolve to address remote work, AI-driven task assignment, and worker surveillance. New standards of occupational safety and health are needed for digital and home-based workers.

4. Balancing Flexibility with Protection

Employers seek labour market flexibility, while workers need security and protection. Future laws must strike a balance between economic efficiency and social justice. Innovative models like portable benefits or contributory social insurance schemes could help bridge this gap.

5. Improving Labour Administration

Labour administration in many states faces challenges such as:

- Lack of capacity and manpower
- Inadequate digital infrastructure
- Weak enforcement mechanisms

To meet future needs:

- Labour departments need modernisation and digitisation.
- Data-driven decision-making should become central to administration.
- Coordination between Centre and States must be enhanced, especially post-codification.

6. Promoting Gender Equity

Women remain underrepresented in the workforce, and many laws fail to consider gender-specific vulnerabilities. Laws



must address workplace harassment, maternity benefits, safe transport, and equal pay. Labour policies should also encourage working from home and flexi-time options for women.

Future Directions for Labour Legislation and Policy

1. **Universal Social Security:** Create a universal framework that guarantees social protection for all categories of workers, regardless of formality.
2. **Simplified, Clear Legislation:** Laws must be easy to understand, avoiding ambiguity in definitions and responsibilities.
3. **Participatory Policy-Making:** Encourage tripartite dialogue between the government, employers, and workers to shape responsive labour policy.
4. **Decentralised Labour Governance:** Allow more autonomy and innovation at the state level, especially in enforcement and grievance redressal.
5. **Focus on Skills and Employment Generation:** Integrate labour policy with skilling, apprenticeship, and job creation programmes to prepare for future job markets.

Summarized Overview

This unit delves into the transformative influence of globalisation and technology on labour markets, particularly highlighting how international trade, automation, and digital platforms are reshaping employment patterns. It explains the rise of gig and platform workers and the Indian state's response via the Code on Social Security, 2020, which for the first time extends legal recognition and welfare provisions to these workers. The unit critically examines both the benefits and vulnerabilities of this emerging workforce. Finally, it outlines key future challenges—formalising informal work, regulating digital labour, ensuring gender equity, and strengthening labour administration—and offers strategic directions for responsive, inclusive, and forward-looking labour policy.

Self-Assessment

1. How has globalisation impacted labour laws, employment patterns, and wage dynamics in developing countries like India?
2. Who are gig and platform workers, and what are the key features, benefits, and challenges associated with their work?
3. What are the major provisions of the Code on Social Security, 2020 concerning gig and platform workers, and why are they significant?
4. Identify and explain the key future challenges facing Indian labour legislation and administration in the context of digitalisation and informalisation.

Assignments

1. Why have trade unions raised concerns about the new codes' threshold limits and exclusions?
2. What are the administrative and logistical barriers to enforcing the new codes at the state level?
3. How can digital labour platforms be brought under the ambit of formal regulation effectively?

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MODEL QUESTION PAPER SETS





MODEL QUESTION PAPER- SET- A

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SREENARAYANAGURU OPEN UNIVERSITY

MA PUBLIC ADMINISTRATION

Semester III - Discipline Specific Elective Course

M23PA03DE - Labour Legislation and Administration

Time: 3 Hours

Max Marks: 70

SECTION A

Answer any ten questions in a word or a sentence. Each question carries one mark.

(10X1 = 10 Marks)

1. Who is considered the first registered trade union in India?
2. In which year was the Trade Unions Act enacted?
3. What does the Industrial Disputes Act, 1947 primarily deal with?
4. Define the term "retrenchment."
5. What is the purpose of the Factories Act, 1948?
6. Under which constitutional list does labour fall in India?
7. Which ministry is primarily responsible for labour administration at the central level?
8. What is the full form of EPFO?
9. What does the Labour Bureau primarily do?
10. What is the role of the Chief Labour Commissioner (Central)?
11. Name one of the four new Labour Codes introduced in India.
12. Which Code consolidates laws relating to wages and bonuses?
13. What is the minimum number of workers required for the standing orders to apply under the Industrial Relations Code?



14. What does the OSH Code primarily deal with?
15. What is the main objective of the Code on Social Security, 2020?

SECTION B

Answer any five questions in two or three sentences. Each question carries two marks.

(5X2 =10 Marks)

16. Differentiate between a registered trade union and an unregistered trade union.
17. State any two objectives of the Trade Unions Act, 1926.
18. Mention two key functions of the Labour Commissioner.
19. What is meant by "lay-off" under the Industrial Disputes Act, 1947?
20. List any two responsibilities of the Ministry of Labour and Employment.
21. What is the role of the National Labour Conference in labour administration?
22. Name any two recommendations of the National Police Commission related to labour reforms.
23. What is the purpose of the Code on Wages, 2019?
24. Give any two features of the Social Security Code, 2020.
25. What are the functions of a Welfare Commissioner in the context of labour welfare?

SECTION C

Answer any five questions in one paragraph. Each question carries four marks.

(5X4 = 20 Marks)

26. Explain the key provisions and significance of the Trade Unions Act, 1926.
27. Discuss the main authorities under the Industrial Disputes Act, 1947 and their functions.
28. Describe the constitutional framework for labour legislation in India.
29. What are the roles and responsibilities of the Ministry of Labour and Employment?
30. Highlight the functions of any two autonomous bodies under the Ministry of Labour and Employment (e.g., EPFO, ESIC, VVG NLI).
31. Summarise the key objectives and expected impact of the Industrial Relations Code, 2020.



32. What are the challenges in implementing labour reforms in India?
33. Briefly describe the components of the Social Security Code, 2020 and how it addresses informal workers.

SECTION D

Answer any three questions in two pages. Each question carries ten marks.

(3X10 =30 Marks)

34. Discuss the evolution of labour legislation in India, highlighting key historical phases from the colonial period to post-independence reforms.
35. Examine the structure and functioning of labour administration in India at both the central and state levels. How do they coordinate under the Concurrent List?
36. Critically evaluate the role and significance of the Industrial Disputes Act, 1947 in promoting industrial peace and resolving employer-employee conflicts.
37. Analyse the key features and objectives of the four new Labour Codes introduced in India. How do they aim to simplify and consolidate existing labour laws?
38. Explain the role of the Ministry of Labour and Employment and its associated bodies (such as EPFO, ESIC, CLC) in enforcing labour laws and ensuring workers' welfare.
39. Discuss the rights and liabilities of registered trade unions under the Trade Unions Act, 1926. How does this Act contribute to democratic functioning and industrial harmony?



MODEL QUESTION PAPER- SET- B

SREENARAYANAGURU OPEN UNIVERSITY

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SREENARAYANAGURU OPEN UNIVERSITY

MA PUBLIC ADMINISTRATION

Semester III - Discipline Specific Elective Course

M23PA03DE - Labour Legislation and Administration

Time: 3 Hours

Max Marks: 70

SECTION A

Answer any ten questions in a word or a sentence. Each question carries one mark.

(10X1 = 10 Marks)

1. In which year was the Trade Unions Act passed?
2. What is the minimum number of workers needed to register a trade union under the 1926 Act?
3. What is meant by “industrial dispute”?
4. Who appoints the Conciliation Officers under the Industrial Disputes Act?
5. Name any one benefit provided under the Employees’ State Insurance Act.
6. What is the full form of EPFO?
7. Under which constitutional list is ‘Labour’ placed?
8. What does retrenchment mean?
9. Mention one function of the Labour Bureau.
10. Which code replaced the Minimum Wages Act, 1948?
11. Name the apex body responsible for industrial relations at the national level.
12. Who chairs the Indian Labour Conference?
13. Name one key labour welfare initiative of the Ministry of Labour and Employment.



14. Which labour law governs safety in mines and oilfields?
15. What is meant by “social security”?

SECTION B

Answer any five questions in two or three sentences. Each question carries two marks.

(5X2 =10 Marks)

16. Mention two key provisions of the Trade Unions Act, 1926.
17. Differentiate between strike and lockout.
18. List any two functions of the Directorate General of Factory Advice Service and Labour Institutes (DGFASLI).
19. What is the purpose of the Standing Labour Committee (SLC)?
20. Give any two features of the Code on Wages, 2019.
21. What are the objectives of the V.V. Giri National Labour Institute?
22. Mention two major functions of the State Labour Departments.
23. Name two autonomous organisations under the Ministry of Labour and Employment and their purposes.
24. What are two challenges in enforcing labour rights in the informal sector?
25. State two criticisms of the Industrial Relations Code, 2020.

SECTION C

Answer any five questions in one paragraph. Each question carries four marks.

(5X4 = 20 Marks)

26. Explain the process and significance of registration of trade unions in India.
27. Describe the roles of the Works Committee and Conciliation Officer under the Industrial Disputes Act.
28. Highlight four objectives of the Employees’ Provident Fund and Miscellaneous Provisions Act.
29. Discuss the functions of the Chief Labour Commissioner (Central).
30. What are the key aims of the Occupational Safety, Health and Working Conditions Code, 2020?
31. Describe the welfare activities undertaken by Welfare Commissioners in India
32. What is the structure and function of the Labour Bureau?

33. Explain how the Social Security Code, 2020 expands protection to gig and platform workers.

SECTION D

Answer any three questions in two pages. Each question carries ten marks.

(3X10 =30 Marks)

34. Trace the historical development of labour laws in India, from the colonial period to the recent labour codes.
35. Critically analyse the role of the Ministry of Labour and Employment in shaping labour policy and welfare.
36. Examine the components of the Indian labour administration system and the interaction between the Centre and the States.
37. Evaluate the four new Labour Codes in terms of simplification, inclusivity, and implementation challenges.
38. Discuss the strengths and weaknesses of the Industrial Disputes Act, 1947 in resolving employer-worker conflicts.
39. Assess the effectiveness of social security mechanisms in India in ensuring economic justice for unorganised sector workers.



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Labour Legislation and Administration

COURSE CODE: M23PA03DE

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