

## **Workshop on 'Sustaining Contract Labour in India'**

In collaboration with the AIOE, New Delhi The Chamber organized a Workshop on 'Sustaining Contract Labour in India' on 29<sup>th</sup> August, 2012 at 10:00 A.M. at The Park Hotel, Kolkata. Shri Indranil Sengupta, IAS, Additional Secretary, Department of Labour, Government of West Bengal was the Guest-in-Chief at the Inaugural Session and then by the speakers.

There were four Technical Sessions of the Workshop on 'Best Management Practices by Corporate' and each of these Sessions were addressed by senior representatives of industry like Shri Bhupinder Singh, Vice President (HR), Reliance Industries Limited, Shri Anil Sinha, President (HR, Corporate Affairs & Legal), Hindalco Industries Limited, Shri Dipankar Basu, Executive Director (P&A), Steel Authority of India Limited (SAIL) and Shri Swarup Panda, General Manager - Employee Relations, ITC Limited.

An Approach Paper prepared by All India Organisation of Employers (AIOE) on 'Sustaining Contract Labour in India' was circulated amongst the Speakers as well as the participants at the Workshop.

In the course of his Welcome Address, Shri S S Chawdhry, Chairman, HRD & Industrial Relations Standing Committee of the Chamber observed that the objective for organising the Workshop is to re-visit the Contract Labour (Regulation & Abolition) Act, 1970. Wage disparity between the permanent labourers and the contract labourers have given rise to a lot of dislocations in the industrial relations scenario of late. Shri Chawdhry observed that inputs and ideas that will evolve from the Workshop would help address the complex issue of employee-employer relations in a better way in respect of contract labour.

The concept of contract labour was evolved to attain flexibility in the labour usage, Shri Chawdhry stated. High labour cost due to job security, pressure of trade unions to adjust workforce etc. discourages the organised sector to expand employment. The rigid provisions enshrined in the Industrial Disputes Act also prevents employers from reducing workforce and hence, increasing the strength of permanent employees, Shri Chawdhry felt. Presently, workers on contract are being liberally employed to perform almost all tasks. Contract labour are also being appointed for regular, perennial and permanent jobs despite the law prohibiting their employment on contractual terms in such activities. Therefore, there is an urgent need to define the role of contract labour in India, Shri Chawdhry stated.

According to Shri Chawdhry, contracting labour ensures the absorption of a large workforce which would otherwise have gone without any livelihood options. Since a changing nature of the production process demands labour flexibility, in terms of tenure and skills the same should have been outsourced to the unorganised sector where no law works has gained pace. Professional staffing service providers cater not just to the flexibility in recruitment of workers for companies but also disbursement of statutory benefits guaranteed by the Government. These include minimum wages, and other benefits. Through the effective implementation of such statutory benefits the company ensures the harmonious co-existence of the permanent and contract labour, Shri Chawdhry observed.

Shri Chawdhry emphasised that the economic growth in India has not been accompanied by commensurate employment generation in the organised sector.

Services sector has been facing low retention ratio. Thus, there is a need for better HR policies which would generate skilled human capital. A harmonious State Legislation and a well defined employee-employer relations which would ultimately help in building an efficient workforce to develop the Nation is also the need of the time. Reformation of just the Contract Labour laws with the laws governing permanent workers remaining constant is of no use. Trade Unions have to learn to leverage the realities of modern life to the workers advantage, Shri Chawdhry felt.

Shri B P Pant, Executive Director, AIOE observed that the conflict between the permanent labour and contract labour has led to incidences similar to that which occurred in Manesar. Violence caused by such conflicts between permanent workers and contract labourers in an industrial organisation discourages the environment for investments both for the domestic and the foreign investors. The laws on contract labour passed by the Ministry of Labour, Government of India according to Shri Pant lack flexibility. As per the demands of the industry the Government is working to establish a more flexible law for contract labour that would be in favour of both the Principal employer and the contract labourers and would benefit both.

Attainment of economy of scale is one of the reasons behind the poor wages paid to the contract labours. A discrimination between the status of the permanent worker and a contract labour in an industry is the prime cause behind a wage lower than the minimum wage being paid to these contract labourers, Shri Pant felt. Thus, there is an ardent need to check such discrimination by providing proper wage and incentives or by regularising the contract labour.

Shri Pant observed that in order to address such issues, one does not need to wait for a legislative measure to become functional. Such problems can be easily tackled by an efficient management system. The contract labourers are entitled to only two social security measures. These are the ESI and the Provident Fund. The ignorance of companies to review the implementation of these measures has also led to a frictional relation between the contract labourers and the hierarchy of the company, Shri Pant felt. Since not much expenditure needs to be incurred in ensuring the basic facilities to these labourers, Shri Pant stated that the companies should make an effort to improve their plight.

Contractors create nuisance for these contract labourers not only do they raise the cost of hiring but also downgrades the working condition for such labourers, Shri Pant felt. An effort for direct recruitment of these labourers by the management of the company would nullify the recent conflicts being faced by large undertaking.

Shri Indranil Sengupta, IAS, Additional Secretary, Department of Labour, Government of West Bengal and the Guest-in-Chief for the Workshop observed that a dedicated workforce can be maintained through upgradation of their living standards. According to Shri Sengupta after the implementation of the New Economic Policy, privatization prevails in the country. Blending of privatisation with labour welfare would boost the development of the industrial sector of the country, Shri Sengupta felt. A revamping of labour laws and efforts absorb contract labourers would increase their standard of living and would abolish inequality as per the tenets of the socialistic principle, Shri Sengupta observed.

He emphasized on the role of the National Labour Commission in order to improve the plight of these contract labourers being subjugated in the face of industrialisation and liberalisation, Shri Sengupta stated. The Commission has worked towards bringing about a change in the nature of domestic employment and has also succeeded in its attempt, Shri Sengupta stated. Organisations, according to him should have the flexibility to absorb work force in accordance with their level of efficiency. These labourers should be absorbed in the non-core area of production and the core area of production should be reserved for the employment of permanent labourers, Shri Sengupta felt.

An effort made on the part of the management of the company to stop abusing contract labour and taking resort to condoling, adjusting and accommodating to their needs would help in managing employer-labour conflict common to Indian companies. Such adjustment, according to Shri Sengupta is possible when there is a detailed collection of information on the treatment and facilities enjoyed by the contract labour working in an organisation. A rise in payment of wages, standard to all parts of the country and an abidance of Government laws on contract labour would prove these labourers to be an asset rather than a liability to the country. Money spent on contracting labour would thus act as an investment in human resource and not an expense for the industry. This would give rise to a win-win situation, Shri Sengupta stated.

Shri Avik Roy, Deputy Secretary, Bharat Chamber of Commerce offered a hearty Vote of Thanks to Shri Indranil Sengupta, IAS, Additional Secretary, Department of Labour, Government of West Bengal for his address.

Shri Bhupinder Singh, Vice President, HR, Reliance Industries Ltd. observed that the legal aspect of hiring contract labourers should be taken into account by employers. Contract labourers are specialized labourers undertaking certain specific jobs. The fact that these contract labourers are hired by the industry to cut cost and are often deprived of deserving payment is an area of grave concern. Industries often have to face the problems of absorption of contract labour due to their non compliance with the contract labour laws. This tends to generate problems in industrial relations, Shri Singh observed. Thus, the proper implementation of the Acts at the various levels and a proper system of monitoring can help improve the condition of contract labour in India.

In order to apply the tenets of the labour laws laid down under the provisions of Factories Act, 1948, certain intricate details have to be taken into consideration. These include the geographical location of the industry, the type of Government prevailing in the State, the regulation norms and its applicability. Shri Singh felt that the definition of contract labour and contractor should be clear to the management.

A few steps adopted by the management itself could prevent exploitation of contract labour and prevent industrial violences, Shri Singh stated. Registration of all the contract labourers working in the factory, payment of their wages in front of the representative of the company and scrutinisation of the facilities being provided to these labourers by the contractor can curb protests by the contract labourers. The role of monitoring is thus allotted a great importance as it helps reducing miscommunication and thus treachery by the contract labourers and the lower ranking company official, Shri Singh stated.

Shri Dipankar Basu, Executive Director ( P& A), Steel Authority of India, observed that SAIL is a Maharatna Company with 5 integrated plants in 4 States. Thus, the undertaking is a diverse authority with control over steel plants and mining supervision. Being a very large organisation it employs about 1,06,000 workers with 87,000 as contract labourers. Out of this, 30,000 are employed in the steel plants and 50,000 in the modernizing activity being undertaken by SAIL. The mining and outsourcing activities are mainly done by contract labourers. Owing to the main tenets of the Contract Labour Act, SAIL has not employed contract labourers in the field of core operation within plants. However, almost the entire modernisation activities are performed by the contract labourers.

The administration of contract labourers by SAIL follows certain pre-determined principles. SAIL highly focuses on registration, which is a mandate for all the contract labourers recruited by SAIL. This caters not only to their effective treatment but also to their safety and security. Licensing of contractors are done to prevent entry of criminals and under trial individuals especially in SAIL establishments in the disturbed areas. The above two aspects are taken into consideration to ensure the third aspect that is safety and welfare of the contract labourers, Shri Basu stated.

Shri Anil Sinha, President- HR, Corporate Affairs & Legal), Hindalco Industries Ltd. observed that Hindalco has about 15000 contract labour working in its various branches, all over India. Never did the management face any problem with the strength of contract labourers working in HINDALCO since its onset. The management has been very efficient in its attempt to control contract labours. It has adhered to the legalities of maintaining contract labour and has gone beyond the legal ambits to develop an emotional contact.

Shri Sinha stated that the bondages between the contract labourers and the company has been over the years maintained through the grant of LTS, provision for uniforms, parity in safety standards etc. However the permanent nature of the contract labourers has been checked in terms of managing machines and entering the core areas of production. In order to ensure that these labourers are paid their dues, Shri Sinha observed that the management has issued I D cards and has transferred their salaries directly into bank accounts created by the company for them. Apart from all of the above provisions the labourers have been provided with a humane condition of work. Food is provided to them through subsidized canteens and provisions for regular health check-ups have been also made by the company itself.

Shri Sinha thus expects that a strict compliance to the Contract Labour Act would ensure proper governance of contract labourers in an enterprise. The flexibility and mobility in recruitment is however the responsibility of the management of the concerned company. A modern approach to recruitment of contract labours and its efficient management would help change the plight of contract labours in India.

Shri Swarup Panda, General Manager- Employee Relations ITC Limited stated that ITC being one of the most well known multi-business Indian conglomerate has cherished long years of existence and profitability as a business organisation. Presently it has also marked its presence in the FMGC sector. It has 26000 employees in 60 different locations and out of them 7000 is in the form of contract labourers.

ITC, according to Shri Panda follows a differentiated practice for labour management. The company differentiates its labour on the basis of their work. Thus, contract labour is treated as a separate important employment type. They are called Employees of Service Provider (ESP) and are respected by the hierarchy of the company. The ESPs according to him are of various types. A group of them has a service period exceeding a decade while others have service periods ranging for a few months to a year. Such labourers are like an asset to the company and despite being on contract, labourers act more like permanent labourers.

Shri Panda stated that the management of ITC thus taken into consideration two very important aspects of labour administration. The first being the 'transactional aspect' which governs codified service rules and collective bargaining including the long term employment of labours. The second and the most important aspect of contract labour administration is the 'relational aspect'. This focuses on the permanent nature of contract labour. Their permanence thus calls for the building of a psychological contract with the management rather than a work contract. Shri Panda thus emphasized that if the relational bondage with contract labourers, over and above their contractors can be built with the backing of the transactional aspect a healthy labour relation and an efficient level of productivity can be attained. This sort of a labour administration can be attained through efficient capturing of grievance of the contract labour through the company management, Shri Panda felt.

Shri B P Pant, Executive Director, AIOE offered a hearty Vote of Thanks to all the learned speakers for addressing the participants at the Workshop.

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