



Contract Labour License

Contract Labour (Regulation and Abolition) Act, 1970.

SCOPE:

- It extends to the whole of India as it is a central act.
- It applies - (a) to every establishment in which twenty or more workmen are employed or were employed on any day of the preceding twelve months as contract labour;
- To every contractor who employs or who employed on any day of the preceding twelve months twenty or more workmen: Provided that the appropriate Government may, after giving not less than two months' notice of its intention so to do, by notification in the Official Gazette, apply the provisions of this Act to any establishment or contractor employing such number of workmen less than twenty as may be specified in the notification.



WHO ARE COVERED:

- EMPLOYER: every establishment in which twenty or more workmen are employed or were employed on any day of the preceding twelve months as contract labour;
- CONTRACTOR: every contractor who employs or who employed on any day of the preceding twelve months twenty or more workmen



REGISTRATION:

- Every establishment which employs contract labour is required to be registered under the act.

(client has to do the registration under the act)



LICENSING :

- No contractor to whom this Act applies, shall undertake or execute any work through contract labour except under and in accordance with a license issued in that behalf by the licensing officer. A contractor has to obtain license for hiring contract labour under the act.

- **REGISTRATION OF ESTABLISHMENT AND LICENSING OF CONTRACTORS:**

- The establishments covered under the Act are required to be registered as principal employers with the appropriate authorities.
- Every contractor is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued in that behalf by the licensing officer. The license granted is subject to such conditions as to hours of work, fixation of wages and other essential amenities in respect of contract labour as laid down in the rules.

CONTRACT LABOUR AND EMPLOYEE

- Workman: "workman" means, any person employed, in or in connection with the work of any establishment to do any skilled, semi-skilled or un-skilled manual, supervisory, technical or clerical work for hire or reward, whether the terms of employment be express or implied but does not include any such person:
 - (A) who is employed mainly in a managerial or administrative capacity; or
 - (B) who, being employed in a supervisory capacity draws wages exceeding five hundred rupees per mensem or exercises



- Employee: Any person employed for wages in or in connection with work. An employee is entitled for –
- Bonus
- Gratuity
- Superannuation fund
- Leave benefits
- Other benefits and schemes of the company



APPLICABILITY OF CLRA:

- If an Agency or a firm who is taking up contract work, has its own employees on rolls with proper service conditions. These employees are NOT engaged to work in a particular establishment. In short even after completion/termination of contractual work of establishment, the Agency or the Firm deploys the employees else where. The firm is a running establishment and not dependent on work in a particular establishment.
- Whether such a Firm or the Agency will be regarded as a Contractor under the CLRA Act? There is a High court decision in Basant kumar Mohanty vs State of Orissa (cr no. 550/1987 dated 8th july 1991) where the Court has held that if the a workman has not been hired to work in a particular establishment, the firm or an agency will not be a contractor.



- If an Employer-contractor engages his own employees to execute work in another establishment then he would not be a contractor under CLRA.
- CLRA defines contractor to mean someone who produces a given result through the engagement of Contract labour. If those engaged are the permanent employees of the contractor they are not contract labour.
- Permanent employees would be eligible for Bonus, Gratuity, and retrenchment compensation. Contract labour would not be eligible for any of these benefits.

APPLICABILITY OF CLRA ON COMPANIES:



1. Whether CLRA applies in case of Company having workforce of more or less than 20?
 2. Is it required to obtain license in regard to the consultants placed with clients by the companies?
- CLRA does not apply in case of companies having less than 20 contract employees. It applies in case, where the contractor has hired more than 20 contract workforce.



- One of the prerequisite of obtaining license under CLRA is an establishment (client in our case) has to first register its establishment under the act and then only contractor can obtain license for that particular establishment.
- Contract labour are basically unskilled labour primarily the construction worker or the workers employed to do unskilled work. Even if the definition of contract worker is extended to include skilled workmen, it clearly states that workmen getting more than Rs. 500 per mensem (per day wages) are not covered under the contract workmen.



DIFFERENCE BETWEEN CONTRACT WORKER AND EMPLOYEE

- There is not much of the difference between regular employee and contract employee.
- All the provisions related to PF, ESI bonus applies to contract employees also.
- In addition, under the CLRA, a contractor is required to provide the additional benefits to the contract worker like –
 - Canteen
 - First aid Facility
 - Rest rooms
 - Toilets etc.