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A Critical Analysis of the Contract Labour (Regulation and Abolition) Act, 1970

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ABSTRACT

Various sectors of Labour Play has a significant role in contributing to our nation's economy. However, despite their invaluable contributions, these workers often receive minimal returns for their hard work. The unorganized sectors, in particular, face numerous challenges, including job insecurity, poor working conditions, and limited access to social security benefits. The Contract Labour (Regulation and Abolition) Act, 1970, was enacted to address these issues and improve the conditions of contract labourers. The Act aims to regulate the employment of contract labour in certain establishments and abolish it in specific circumstances where it is deemed necessary in the interest of workers. This abolishes the "theka" practice of "mazdoor," which refers to the exploitation of labourers by contractors who act as middlemen, often leading to unfair labour practices and inadequate protection for workers. The primary objective of the Act is to ensure the welfare of contract labourers by regulating their employment and working conditions, thereby safeguarding their rights and promoting fair labour practices. It provides for the establishment of advisory boards at the central and state levels to advise on matters related to the administration of the Act and recommend measures for improving the conditions of contract labour.

Despite its noble intentions, the implementation of the Contract Labour (Regulation and Abolition) Act, 1970, has faced numerous challenges. Issues such as inadequate enforcement, lack of awareness among workers, and the reluctance of employers to comply with the provisions have hindered the effectiveness of the Act. Additionally, the evolving nature of the labour market and the increasing trend towards informalization of work have raised questions about the relevance and adequacy of the Act in addressing contemporary labour issues.

This critical analysis aims to examine the key provisions of the Contract Labour (Regulation and Abolition) Act, 1970, and assess their impact on contract labourers in India. It will explore the challenges and limitations in the implementation of the Act and provide recommendations for enhancing its effectiveness. By delving into the legislative intent, judicial interpretations, and ground realities, this analysis seeks to contribute to the

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ongoing discourse on labour law reforms and advocate for a more just and equitable framework for contract labour in India.

Keywords: *Contract Labour; Exploitation; constitution; Labour; Workers; Regulation; Mazdoor; Working Condition; Unorganised Sectors; Welfares*

I. INTRODUCTION

The **Industrial Employment (Standing Orders) Central Rules, 1946**,² categorize workmen into several types, including permanent, temporary, casual, badlis (substitutes), probationers, and apprentices. Among these, contract labourers hold a significant position. Contract labourers, hired through a contractor for specific tasks or projects, are characterized by temporary employment and a lack of stable job security. Despite being a flexible and cost-effective solution for employers, contract labourers often face inadequate legal protections compared to permanent employees. To mitigate exploitation, the **Contract Labour (Regulation and Abolition) Act, 1970**,³ provides certain protections, such as ensuring timely wage payments by contractors (or principal employers if the contractor fails), essential amenities (e.g., canteens, restrooms, drinking water), safe working conditions, and the abolition of contract labour in exploitative scenarios. Similarly, The Industrial Dispute Act, 1947, protects the labour so that they are safe and productive which is vital for industrial peace and economic growth.⁴

“After the advent of the Constitution of India, the State is under an obligation to improve the lot of the work force. Article 23 prohibits, inter alia, begar and other similar forms of forced labour. The Directive Principle of State Policy incorporated in Article 38 mandates the State to secure a social order for promotion of welfare of the people and to establish an egalitarian society. Article 39 enumerates the principles of policy of the State which include welfare measures for the workers. The State policy embodied in Article 43 mandates the State to endeavour to secure, by a suitable legislation or economic organisation or in any other way for all workers, agricultural, industrial or otherwise, work, a living wage, conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Article 43A enjoins on the State to take steps by suitable legislation or in any other way to secure the participation of workers in the management of undertakings,

² The Industrial Employment (Standing Orders) Central Rules, 1946, Ministry of Labour and Employment, Government of India, Notification No. L.R. 11 (37), dated 18th December, 1946.

³ Contract Labour (Regulation and Abolition) Act, 1970.

⁴ The Life Insurance Corporation Of India vs D. J. Bahadur & Ors., 1980 AIR 2181 (per Krishna Iyer, J, concurring) (India).

establishment, or other organisations engaged in any industry.

These regulatory measures aim to improve the working conditions and rights of contract labourers, ensuring they receive fair treatment and necessary protections in their workplaces.”⁵
(Krishna Iyer, J., 1980)

II. HISTORICAL BACKGROUND

A. The Roots of Contract Labour

Contract labour has existed since time immemorial, evolving as an informal yet deeply ingrained part of the labour system. However, in post-independence India, the size of the contract labour force expanded significantly, particularly with the surge in construction activities driven by substantial investments under the Five-Year Plans. During the early phases of industrialization, Indian industries faced persistent challenges in recruiting and managing workers. Issues such as the low social status of factory jobs, limited labour mobility, caste restrictions, and language barriers complicated the process. These obstacles proved particularly challenging for British employers and their representatives, who lacked familiarity with local customs and socio-economic dynamics. To address this, employers increasingly relied on middlemen or contractors to recruit and control the workforce. These intermediaries, known by various names across the country, became central to the emerging contract labour system. Unfortunately, this reliance enabled exploitation, as contract labourers remained highly vulnerable due to their lack of organization and bargaining power.

B. The Struggle for Reform

The exploitation of contract workers eventually attracted public concern. As early as 1860, the Whitley Commission recognized the inherent injustices in the contract labour system and implicitly recommended its abolition. Before this, contract labourers not only endured poor conditions but were also subjected to the Workman's Breach of Contract Act, 1859, which criminalized workers for breaching employment contracts further reinforcing their vulnerability. In response to these ongoing hardships, the government established several committees to examine the socio-economic conditions of contract labourers. Notable among these were:

- The Bombay Textile Labour Enquiry Committee (1938)
- The Bihar Labour Enquiry Committee (1941)

⁵ Id. at 3. (See also: The Life Insurance Corporation Of India vs D. J. Bahadur & Ors on 10 November, 1980)

- The Rega Committee (1946)

These inquiries brought much-needed attention to the exploitation faced by contract workers. Consequently, landmark labour laws such as the Factories Act (1948), Mines Act (1952), and Plantations Labour Act (1951) were amended to expand the definition of "workers" to include contract labourers, marking an early attempt to improve their protection.

C. Legislative Action and the Road to Reform

The call for stronger protections gained momentum during the Second Five-Year Plan, where the Planning Commission underscored the urgent need to improve working conditions for contract labour. It recommended ensuring contract workers continuous employment where abolition was not feasible and stressed the importance of regulating their wages and access to essential amenities. This discourse culminated in several Tripartite Committee meetings involving representatives from State Governments, employers, and worker unions.

“An Act to regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances and for matters connected therewith.”⁶

On this foundation, the Contract Labour (Regulation and Abolition) Act, 1970 was enacted. Passed by both Houses of Parliament and receiving Presidential assent on 5th September 1970, the Act came into force on 10th February 1971. The Contract Labour (Regulation and Abolition) Central Rules, 1971 were subsequently introduced to aid its enforcement.

D. Judicial Activism and the Role of Unions

Over the years, judicial activism played a pivotal role in interpreting and expanding the rights of contract labourers. Landmark judgments such as *Air India Statutory Corporation v. United Labour Union* (1997)⁷ and *Steel Authority of India Ltd. v. National Union of Waterfront Workers* (2001)⁸ demonstrated the courts' commitment to upholding labour rights and curbing exploitative practices. The fight for contract labourers' rights reflects the broader struggle for workers' dignity. As Bruce Springsteen aptly put it:

“Unions have been the only powerful and effective voice working people have ever had in the history of this country.”⁹

⁶ The Contract Labour (Regulation and Abolition) 1970, Act, No. 37 of 1970, Preamble (India).

⁷ *Air India Statutory Corp. v. United Labour Union*, 1995(3)BOMCR616 (India).

⁸ *Steel Authority of India Ltd. v. Nat'y Union of Waterfront Workers*, AIR 2001 SUPREME COURT 3527 (India).

⁹ Bruce Springsteen, “Unions have been the only powerful and effective voice working people have ever had in the history of this country”, in Interview with Terry Gross, *Fresh Air* (NPR Sept. 21, 2005).

III. FOUNDATIONAL OBJECTIVES

The Supreme Gammon India Ltd. v. Union of India¹⁰, emphasized the objective, noting:

In this landmark case, Gammon India Ltd., a construction company, challenged the constitutional validity of the Contract Labour (Regulation and Abolition) Act, 1970. The company argued that applying the Act to ongoing construction projects imposed an unreasonable restriction on their right to carry on business under Article 19(1)(g) of the Indian Constitution. The petitioners contended that the Act's requirement for additional welfare measures and employment benefits for contract labour was burdensome and would disrupt ongoing construction work.

In the Judgment, the Supreme court upheld the validity of the Act, emphasizing that:

The Act was enacted to prevent the exploitation of contract labour and to ensure better working conditions. The Court rejected the argument that the Act imposed an unreasonable restriction under Article 19(1)(g),¹¹ affirming that social welfare legislation aiming to improve workers' conditions aligns with constitutional principles of justice and equality. The Act does not violate Articles 14¹² and 15,¹³ as its purpose is to promote the welfare of vulnerable contract labourers. The underlying policy of the Act is to abolish contract labour wherever possible and practicable, and where it cannot be abolished, the policy is to regulate their working conditions to ensure payment of wages and provision of essential amenities.¹⁴ This ruling marked a significant step in reinforcing the rights of contract labourers while balancing industrial needs.

A. Scope and Applicability: The Act applies to both central factories and state factories.

¹⁰ Supreme Gammon India Ltd. v. Union of India 1974 AIR 960.

¹¹ Indian const. art. 19, cl. 1(g),

¹² Indian const. art. 14.

(See also: <https://indiankanoon.org/doc/367586/>).

¹³ Indian const. art. 15 (1) The State shall not discriminate against any citizen on grounds only of religion, race, caste, sex, place of birth or any of them. (2) No citizen shall, on grounds only of religion, race, caste, sex, place of birth or any of them, be subject to any disability, liability, restriction or condition with regard to— (a) access to shops, public restaurants, hotels and places of public entertainment; or (b) the use of wells, tanks, bathing ghats, roads and places of public resort maintained wholly or partly out of State funds or dedicated to the use of the general public. (3) Nothing in this article shall prevent the State from making any special provision for women and children. 1[(4) Nothing in this article or in clause (2) of article 29 shall prevent the State from making any special provision for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes and the Scheduled Tribes.] 2[(5) Nothing in this article or in sub-clause (g) of clause (1) of article 19 shall prevent the State from making any special provision, by law, for the advancement of any socially and educationally backward classes of citizens or for the Scheduled Castes or the Scheduled Tribes in so far as such special provisions relate to their admission to educational institutions including private educational institutions, whether aided or unaided by the State, other than the minority educational institutions referred to in clause (1) of article 30.] (See: https://www.indiacode.nic.in/bitstream/123456789/15240/1/constitution_of_india.pdf)

¹⁴ *Supra* note 1.

Contract labourers have a relationship with a contractor who hires them for specific tasks, while regular employees work directly for the employer. Contract labourers work for a specific project or task through a contractor. Contract labourers do not enjoy the same legal protections and benefits as regular employees.



Figure 1: Indirect/ No control under the employer

The Act of 1970 applies to:

- Establishment where Any establishment that employs 20 or more contract labourers on any day of the preceding 12 months;
- The Act also applies to establishments where fewer than 20 contract labourers are employed if notified by the appropriate government after giving a two-month notice in the Official Gazette; and
- Any Contractor who employs or has employed 20 or more contract labourers on any day of the preceding 12 months.¹⁵

B. Exceptions

The act provides exemptions in the following cases:

- If the work is of an intermittent or casual nature which is the work performed for less than 120 days in preceding 12 months and in the case of Seasonal work the work performed for less than 60 days in a year;
- The appropriate government can exempt certain establishment from the Act under special circumstances.¹⁶

IV. KEY PROVISIONS

The basic provisions along with the relevant definitions namely contract labour, Contractor and Principal Employer are given below:

- A “contract Labour” is a worker who is hired in connection with the work of establishment by or through a contractor with or without the knowledge of the principal

¹⁵ Contract Labour (Regulation and Abolition) Act, 1970, § 01.

¹⁶ *Id.* at 14, § 1 (4).

employer.¹⁷

- A “Contractor” is any person who undertakes to produce a given result for the establishment, other than a mere supply of goods or articles of manufacture, and who supplies or employs contract labour in connection with the work of the establishment including sub-contractor.¹⁸
- Principal Employer is The person responsible for the control of the establishment and includes the head of any office, or department, or authority, or corporation or company as the case may be.¹⁹

A. Registration

The Section 7 of the Act provides for the registration of certain establishment which says principal employer must apply for registration in the prescribed form, detailing the name and location of the establishment, and other relevant particulars. The registering officer, upon receiving the application, issues a certificate of registration, serving as proof of compliance. Any changes in the particulars must be reported for amendment. Additionally, the Act provides for revocation of registration if obtained by misrepresentation or for contravention of provisions, following a due process which includes notice and opportunity for the principal employer to present their case.²⁰ If aggrieved by the decision of revocation, the principal employer has the right to appeal to the appellate officer. These provisions ensure that establishments employing contract labor are properly registered and monitored for the welfare of contract labourers.

B. Licensing of Contractors

- According to section 12 of the Act of 1970 contractors must obtain a licence from the designated licensing officer to engage contract labour. Without this licence, contractors cannot undertake or execute work involving contract labour. The licence may impose conditions on wages, working hours, and essential amenities to safeguard the welfare of contract labourers.²¹
- Under Section 13, contractors must apply in the prescribed form, detailing the location, nature of work, and other specified particulars. The licensing officer may investigate the

¹⁷ *Id.* at 14, § 2(b).

¹⁸ *Id.* at 14, § 2(c).

¹⁹ *Id.* at 14, § 2(g).

²⁰ *Id.* at 14, § 7.

²¹ *Id.* at 14, § 12.

application before granting the licence, ensuring the contractor's ability to meet statutory obligations.²²

- Licences may include conditions related to; Welfare measures for contract labour (e.g., canteens, restrooms), Payment of wages in accordance with statutory norms, Working conditions ensuring the health and safety of contract labour etc.

- As per Section 14, a licence may be revoked, suspended, or amended if the contractor violates licence conditions.²³

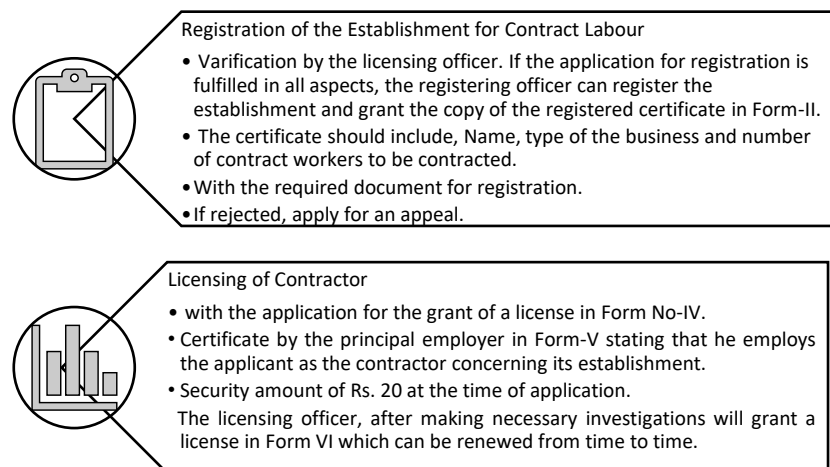


Figure 2: Registration and licensing

V. REGULATORY MECHANISM

The advisory boards ensure balanced representation by including members from various sectors government officials, industry leaders, contractors, and workmen. They may also mediate disputes involving contract labour to promote fair outcomes. Before issuing a prohibition notification under Section 10, the appropriate government must consult the respective advisory board.

A. Central Advisory board

The Central Advisory Board is a statutory body established by the Central Government under the Contract Labour (Regulation and Abolition) Act, 1970.²⁴ Its primary role is to advise the Central Government on matters related to the regulation and abolition of contract labour. The Board is composed of a Chairman appointed by the Central Government, the Chief Labour Commissioner (Central) as an ex officio member, and 11 to 17 nominated members representing various sectors such as the government, railways, coal industry, contractors, and workmen. To

²² *Id.* at 14, § 13.

²³ *Id.* at 14, § 14.

²⁴ *Id.* at 14, § 3.

ensure fair representation, the number of members representing workmen cannot be less than those representing principal employers and contractors.

B. State Advisory Board

The State Advisory Board functions similarly at the state level and is constituted by the State Government. It advises the State Government on issues concerning contract labour within the respective state. The State Board comprises a Chairperson appointed by the State Government, the Labour Commissioner (ex officio) or a designated officer, and 9 to 11 nominated members from the government, industry, contractors, and workmen.²⁵ Like the Central Board, the State Board ensures equal representation between workmen and employers/contractors to maintain balance in decision-making.

C. Committees

Formed by either the Central Advisory Board or the State Advisory Board. Constituted for specific purposes, such as investigating particular issues related to contract labour. Members may include subject matter experts, industry representatives, and government officials. These committees follow prescribed procedures for conducting inquiries and submitting reports.²⁶

VI. CRITICAL ANALYSIS

The Contract Labour (Regulation and Abolition) Act, 1970 marks a crucial step in protecting contract labourers from exploitation and ensuring fair treatment. Its emphasis on welfare measures, licensing systems, and accountability mechanisms demonstrates a strong intent to regulate contract labour. However, its weaknesses such as the absence of clear absorption provisions, limited coverage, and enforcement gaps reduce its overall effectiveness. To improve outcomes, stronger monitoring frameworks, expanded coverage, and alignment with ILO standards are essential. By addressing these shortcomings, the Act can better uphold social security, promote economic stability, and support India's democratic commitment to labour welfare.

In the **People's Union for Democratic Rights v. Union of India (Asiad Case)**²⁷, the People's Union for Democratic Rights (PUDR) filed a writ petition under Article 32 of the Constitution, alleging exploitation of workers in the construction projects for the 1982 Asian Games in Delhi. The petition highlighted violations of various labour laws, including:

²⁵ *Id.* at 14, § 4(2)(c).

²⁶ *Id.* at 14, § 5(1) & 5(3).

²⁷ *People's Union for Democratic Rights v. Union of India*, 1982 AIR 1473 (India).

- Employment of children below 14 years, violating Article 24 of the Constitution.
- Non-payment of equal wages to men and women, violating the Equal Remuneration Act, 1976 and Article 14 (Right to Equality).
- Failure to provide statutory protections under the Contract Labour (Regulation and Abolition) Act, 1970, and Inter-State Migrant Workmen Act, 1979, violating Article 21 (Right to Life and Dignity).

The Supreme Court, led by Justice P.N. Bhagwati, ruled that:

*“Violation of labour laws is a violation of fundamental rights under Articles 14, 21, 23, and 24 of the Indian Constitution. The government and its agencies, as principal employers, are responsible for ensuring compliance with labour laws, even when workers are employed through contractors. Non-payment of minimum wages constitutes forced labour, as workers have no real choice but to work under exploitative conditions. The right to livelihood and dignity is an essential part of Article 21, and depriving workers of statutory rights violates this fundamental right.”*²⁸ (Bhagwati, j., 1982)

This ruling shows the importance of judicial activism in contract labour rights and also advocates to ensure the government entities liability for workers’ welfare.

A. Strengths of the Act

The Contract Labour (Regulation and Abolition) Act, 1970 marks a crucial step in protecting contract labourers from exploitation and ensuring fair treatment. Its emphasis on welfare measures, licensing systems, and accountability mechanisms demonstrates a strong intent to regulate contract labour. However, its weaknesses such as the absence of clear absorption provisions, limited coverage, and enforcement gaps reduce its overall effectiveness. To improve outcomes, stronger monitoring frameworks, expanded coverage, and alignment with ILO standards are essential.²⁹ By addressing these shortcomings, the Act can better uphold social security, promote economic stability, and support India’s democratic commitment to labour welfare.

- Regulation of Contract Labour: The Act mandates the registration of establishments employing contract labour and the licensing of contractors. This framework ensures that only authorized contractors engage workers, promoting transparency and accountability.

²⁸ *Id.* at 26.

²⁹ The ILO's Social Security (Minimum Standards) Convention, 1952 (No. 102).

- **Welfare Measures:** Under Chapter V, the Act stipulates that contractors must provide essential amenities such as canteens, restrooms, drinking water, and first-aid facilities. These provisions aim to enhance the working conditions of contract labourers.³⁰
- **Protection of Wages:** According to Section 21,³¹ if a contractor fails to pay wages, the principal employer is held responsible for the payment. This measure ensures that workers receive their due compensation without undue delay.
- **Advisory Boards:** The Act provides for the constitution of Central and State Advisory Contract Labour Boards. These boards advise the respective governments on matters arising from the Act's administration, ensuring regular monitoring and review of contract labour issues.
- **Prohibition of Exploitative Practices:** Under Section 10,³² the Act empowers the government to prohibit the employment of contract labour in certain processes, operations, or other work in any establishment if it deems such employment to be exploitative. This aligns with the principles of social justice and aims to protect workers from unfair labour practices.

B. Weaknesses of the Act

- **Absence of Absorption Provisions:** Although the Act allows for the abolition of contract labour, it does not mandate the absorption of such workers into permanent roles. This creates ambiguity, as seen in *Air India Statutory Corporation v. United Labour Union* (1997),³³ where the Supreme Court emphasized the need for contract workers to be absorbed but lacked statutory backing in the Act.
- **Narrow Scope:** The Act applies only to establishments with 20 or more workers, excluding a large segment of small-scale businesses that frequently employ contract labour. This exclusion leaves a significant workforce without protection.
- **Economic Growth vs. Labour Rights:** While the Act aims to prevent exploitation, businesses often rely on contract labour for cost-effective operations. This tension between economic flexibility and worker protection has led to disputes over employment security.

³⁰ *Supra* note at 14, chap. V.

³¹ *Supra* note at 14, § 21.

³² *Supra* note at 14, § 10.

³³ *Supra* note at 6.

- **Unemployment Concerns:** The absence of absorption provisions creates instability for contract workers. Even when contract labour is abolished, these workers are often left unemployed without alternative arrangements.
- **Enforcement Challenges:** The implementation of the Act heavily relies on labour inspectors, yet inspection mechanisms are often weak, especially in informal sectors.
- **Ambiguity in Prohibition Criteria:** Section 10 empowers the government to prohibit contract labour in certain industries but provides no clear framework for identifying exploitative conditions. This ambiguity creates inconsistencies in enforcement.
- **Impact on Social Security:** The Act provides minimal protection in terms of long-term benefits like pensions, gratuity, or insurance. As a result, contract workers often face financial insecurity, particularly post-termination.
- **Alignment with ILO Standards:** While the Act aligns with some International Labour Organization (ILO) standards on fair wages and working conditions, it falls short in ensuring job security and collective bargaining rights, which are critical components of international labour protections.

C. Practical delays:

Several real-world challenges hinder the effective implementation of the Act:

- **Non-compliance by Contractors:** Many contractors avoid licensing or underreport their workforce to evade accountability, limiting the Act's impact.
- **Limited Awareness:** Many contract workers are unaware of their rights under the Act, making it easier for employers to exploit loopholes.
- **Corruption and Bureaucratic Delays:** The licensing and inspection processes are often plagued by red tape, reducing efficiency in safeguarding workers' rights.
- **Technological Gaps:** The absence of a centralized digital database for tracking contract workers, contractors, and registered establishments makes monitoring compliance difficult.
- **Judicial Delays:** Disputes related to contract labour often face prolonged litigation, delaying justice for aggrieved workers.

VII. LANDMARK JUDGMENTS

In the landmark case **Gammon India Ltd. vs. Union of India & Ors. (1974)**³⁴, the Supreme Court of India upheld the constitutionality of the Contract Labour (Regulation and Abolition) Act, 1970. The petitioners, contractors engaged in construction work, challenged the Act's provisions, arguing that they were unconstitutional and imposed unreasonable restrictions on their right to carry on business under Article 19(1)(g) of the Constitution. They contended that the Act's requirements for licensing, registration, and welfare facilities were impractical and excessively burdensome. The court dismissed these arguments, affirming that the Act was a valid exercise of legislative power aimed at preventing the exploitation of contract labor and ensuring fair working conditions.

The court specifically addressed the provisions related to the definition of a contractor (Section 2(c)), the requirement for contractors to obtain licenses (Section 12), and the provision of welfare facilities such as canteens, restrooms, and first aid (Sections 16 and 17). The judgment emphasized that the Act's provisions were reasonable and necessary to protect the rights of contract labourers and improve their working conditions. This case reinforced the legal framework for regulating contract labour in India and highlighted the importance of safeguarding the welfare of contract labourers. In the case of **Indian Explosives Ltd. vs. State of U.P. & Ors. (1980)**³⁵, the petitioner, Indian Explosives Ltd., challenged the orders of the State Government referring disputes to the Industrial Tribunal. The disputes involved claims for bonus, wages, and dearness allowance by workers employed in the company's canteen, which was run by a licensed contractor under the Contract Labour (Regulation and Abolition) Act, 1970. The petitioner argued that there was no employer-employee relationship between the company and the canteen workers, and thus, the disputes did not qualify as industrial disputes. The petitioner also contended that the State Government lacked jurisdiction to refer such disputes to the Industrial Tribunal.

The Allahabad High Court dismissed the petition, holding that the disputes were indeed industrial disputes as defined under the Industrial Disputes Act, 1947. The court found that the canteen workers were entitled to raise disputes regarding their employment conditions, and the State Government had the authority to refer these disputes to the Industrial Tribunal. The judgment emphasized the importance of protecting the rights of contract labourers and ensuring fair treatment, even when employed through contractors.

³⁴ Gammon India Ltd. vs. Union of India & Ors., 1974 AIR 960.

³⁵ Indian Explosives Ltd. vs. State of U.P. & Ors. (1980), (1981) IILLJ159ALL.

In the case of **Labourers Working on Salal Hydro Project vs. State of Jammu & Kashmir & Ors. (1983)**³⁶, the Supreme Court of India addressed the exploitation of migrant labourers working on the Salal Hydroelectric Project. The case was initiated based on a news report highlighting the difficult conditions faced by these labourers, including violations of labour laws and exploitation by contractors. The court treated the matter as a writ petition and directed the Labour Commissioner, Jammu, to investigate the conditions at the project site.

The investigation revealed several issues, including non-payment of minimum wages, employment of child labour, and lack of proper implementation of labour laws. The court emphasized that wages must be paid directly to the workers without any deductions, and that the minimum wage for workers on the project should be in line with the minimum wage for the construction industry in Jammu & Kashmir. The court also highlighted the importance of ensuring that labor laws, such as the Minimum Wages Act and the Contract Labour (Regulation and Abolition) Act, were properly implemented to protect the rights of the workers

Furthermore, in **Air India Statutory Corporation vs. United Labour Union & Ors. (1996)**³⁷, the Supreme Court of India addressed the issue of contract labour employed by Air India for tasks such as sweeping, cleaning, dusting, and watching of buildings. The court held that the contract labourers were entitled to be treated as direct employees of Air India from the date of abolition of the contract labour system for the specified tasks. The judgment emphasized that the fundamental right to life under Article 21 of the Constitution includes the right to livelihood, and the State must ensure that workers are not deprived of their means of livelihood. The court reinforced the principle that contract labourers should not be exploited and should be provided with fair working conditions and job security. The supreme court in the **Steel Authority Of India Ltd. & Ors. ... vs National Union Water Front Workers & Ors**³⁸ held that the principal employer cannot be required to automatically absorb contract labourers as regular employees upon the issuance of an abolition notification under Section 10(1) of the Act. The court emphasized that the Act does not provide for automatic absorption and that the appropriate government must consider various factors before issuing such notifications. The judgment clarified the distinction between public and private law and reinforced the regulatory framework for contract labour, ensuring that the rights of contract labourers are protected without imposing undue burdens on employers.³⁹

³⁶ Labourers Working on Salal Hydro Project vs. State of Jammu & Kashmir & Ors. AIR ONLINE 1984 SC 24.

³⁷ Air India Statutory Corporation vs. United Labour Union & Ors. AIR 1997 SC 645.

³⁸ Steel Authority of India Ltd. & Ors. ... vs National Union Water Front Workers & Ors. AIR 2001 SUPREME COURT 3527.

³⁹ Aishwarya Agarwal, History of Labour Laws in India, Law Bhoomi (May 31, 2023), available at:

The **Airport Authority of India case**⁴⁰ revolves around the interpretation of Rule 25(2)(v)(a) & (b) of the Contract Labour (Regulation & Abolition) Central Rules, 1971. This rule mandates that contract workers performing the same or similar work as directly employed workers must receive equal benefits. Following were the key issues:

- The Airport Authority of India (AAI) challenged an order that recognized contract workers (safaiwala/cleaner/sweeper) as performing similar work to directly employed workers.
- The rule in question ensures that contract labourers receive equal pay and benefits as permanent employees if their work is comparable.
- The AAI contended that contract workers should not receive the same benefits as directly employed staff, arguing that they were engaged through a contractor.

The Court upheld the equal pay principle, affirming that contract labour cannot be discriminated against if they perform similar work to permanent employees. The Chief Labour Commissioner (CLC) was identified as the appropriate authority to determine disputes regarding the nature of work. The writ petition was dismissed, reinforcing that contract workers must receive equal wages, holidays, hours of work, and conditions of service as per industrial and labour laws.

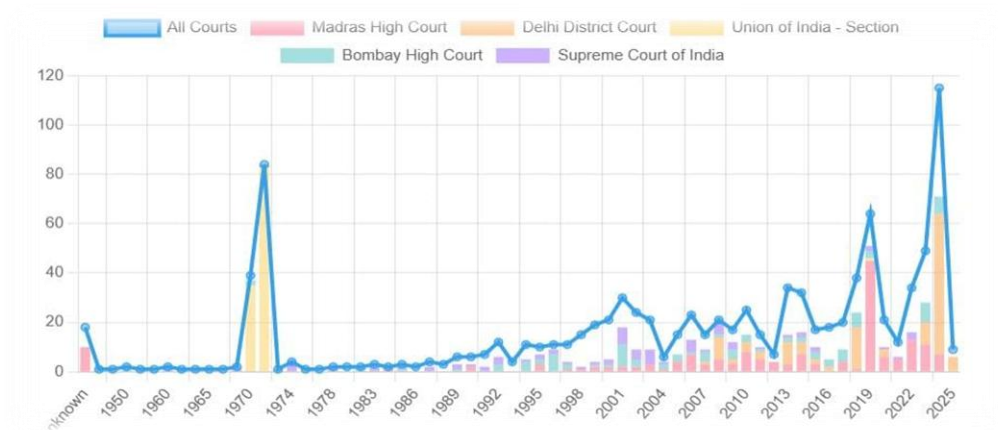


Image source: Indian kanoon

A. Recent Development

Management of Ashok Hotel (ITDC) vs. Their Workmen & Anr. (2024)⁴¹ is a significant case decided by the Delhi High Court. The case involved the regularization of contract laborers employed by Ashok Hotel, a unit of the India Tourism Development Corporation (ITDC). The

<https://lawbhoomi.com/history-of-labour-law-in-india/>.

⁴⁰ Airports Authority Of India vs Indian Airport Employees Union And 2 ... WRIT PETITION NO. 109 OF 2009.

⁴¹ Management of Ashok Hotel (ITDC) vs. Their Workmen & Anr. 2024 Latest Caselaw 7297 Del.

primary issue was whether the contract labourers, who were engaged through a contractor, were entitled to regularization and wages at par with their regular counterparts.

- **Background:** The respondent workmen, including Shri Perumal and 25 others, were employed as Housemen/Safaiwalas through a contractor at Ashok Hotel. They claimed that their engagement through a contractor was a ruse to avoid the obligations of regular employment.
- **Tribunal's Award:** The Industrial Tribunal directed the petitioner (Ashok Hotel) to frame a policy for the regularization of the respondent workmen and to provide them with wages at par with regular employees.
- **Appeal:** The petitioner challenged the Tribunal's award, arguing that the engagement of the workmen through a contractor was legitimate and that they were not entitled to regularization.
- **Court's Decision:** The Delhi High Court upheld the Tribunal's award, emphasizing that the engagement of the workmen through a contractor was merely a ruse to circumvent the obligations of regular employment. The court directed Ashok Hotel to regularize the respondent workmen and provide them with wages at par with regular employees.

The Management of Ashok Hotel (ITDC) vs. Their Workmen & Anr. (2024)⁴² case aligns with the principles established in previous judgments, emphasizing the protection of contract laborers' rights and preventing exploitation through sham contractual arrangements. The judgment reinforces the need for regularizing contract labourers and ensuring fair wages, thereby promoting job security and fair treatment. This case, along with the comparative cases, highlights the judiciary's consistent stance on safeguarding the rights of contract labourers and ensuring compliance with labour laws.

VIII. PENALTIES

The offences and the respective punishment is provided in the Table 1:

Sr. No.	Offence	Description	penalties
1.	Obstruction of Inspector as per sec. 22.	Obstruction of inspector in the discharge of his duties, or refusing or wilfully neglecting to afford any	Imprisonment up to 3 months, or fine up to Rs. 5000, or both

⁴² Id. at 40.

		reasonable facility for inspecting, examination, inquiry, or investigation	
2.	Refusal to produce Documents as per sec. 22	Wilfully refusing to produce an document on demand of an inspector, or preventing any person from appearing before or being examined by an inspector	Imprisonment up to 3 months, or fine up to Rs. 500, Or both
3.	Contravention of provision regarding employment of contract labour as per sec. 23.	Contravening any provision of the Act or rules made thereunder, or any condition of license granted under the Act.	Imprisonment up to 3 months, or fine up to Rs. 1,000 or both: and in case of continuing contravention, an additional fine up to Rs. 100 for everyday the contravention continues after the first conviction
4.	Other offences as per sec. 24.	Contravening any provision of the Act or rule made thereunder for which no penalty is provided.	Imprisonment up to 3 months, or fine up to Rs. 1,000, or both
5.	Offence by Companies as per sec. 25(1).	Offences committed by company; Every person in-charge and responsible to the company for the conduct of its business at time of the offence.	Deemed to be guilty and liable to be proceeded against and punished accordingly.
6.	Neglect by company official as per sec. 25(2)	it is proved that the offence has been committed with the consent or connivance of, or that the commission of the offence is attributable to any neglect on the part of any director, manager, managing agent or any other	Such person shall be deemed to be guilty and liable to be proceeded against accordingly.

		officer of the company, such director, manager, managing agent or such other officer.	
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Table 1: The offences and the respective punishment⁴³

IX. SUGGESTIONS

After analyzing the Contract Labour (Regulation and abolition) Act, 1970 following reforms and improvement needs to be incorporated:

1. **Strengthening Enforcement Mechanisms:** One of the biggest shortcomings of the Act is its weak enforcement. Many industries bypass the provisions by misclassifying workers or using unlicensed contractors. Strengthening labour inspections, increasing penalties for non-compliance, and ensuring digital tracking of contract workers can improve enforcement.
2. **Defining Clear Criteria for Abolition and Absorption:** The Steel Authority of India Ltd. v. National Union Water Front Workers (2001) case highlighted the uncertainty regarding the absorption of contract workers after the abolition of contract labour. There should be a clear legal framework for absorption to prevent arbitrary decisions by employers and ensure workers are not left jobless.
3. **Integration with the New Labour Codes:** The Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020, aim to provide better security for workers. However, contract labour remains excluded from key benefits like gratuity and pension. Amending the labour codes to ensure contract workers receive equal social security and wage protection is crucial.
4. **Compliance with International Labour Standards:** The Act does not fully align with ILO Convention No. 102 (Social Security Minimum Standards, 1952)⁴⁴, which mandates benefits like healthcare, maternity protection, and unemployment insurance. The government should consider ratifying more ILO conventions to provide better security for contract labour.
5. **Reducing Over-Reliance on Contract Labour:** Over time, industries have exploited contract labour as a cost-cutting measure, leading to job insecurity. A policy shift is

⁴³ S.N. Mishra, Labour & Industrial Laws 1052-1053 (Central Law Publication) (30th ed. 2023).

⁴⁴ International Labour Organization, Social Security (Minimum Standards) Convention, 1952 (C 102).

needed to encourage permanent employment, at least for long-term and core business functions, rather than excessive contractualization.

6. Ensuring Collective Bargaining Rights: Contract workers often lack the ability to unionize or bargain for fair wages. Strengthening their right to collective bargaining under the Trade Unions Act, 1926⁴⁵, can help secure better conditions for contract labourers.
7. Judicial Oversight and Legal Remedies: Despite landmark rulings, many cases involving contract labour remain unresolved for years. The government should establish specialized labour courts or tribunals to ensure faster adjudication of disputes related to contract workers.

X. CONCLUSION

The Contract Labour (Regulation and Abolition) Act, 1970, is a crucial piece of legislation aimed at safeguarding contract workers' rights and ensuring their welfare. By mandating the registration of establishments, licensing of contractors, and provision of essential amenities, the Act promotes fair labour practices and prevents exploitation. Additionally, it empowers the government to prohibit contract labour in specific sectors where working conditions are exploitative. However, the effectiveness of the Act has been undermined by weak enforcement, inconsistencies in implementation across states, and the increasing trend of contractualization due to economic liberalization. Several landmark judgments have shaped the interpretation and enforcement of the Act. In *Steel Authority of India Ltd. V. National Union Water Front Workers* (2001) 7 SCC 1, the Supreme Court clarified that the mere abolition of contract labour does not automatically entitle workers to absorption in regular employment. This decision weakened the position of contract labourers seeking direct employment. On the other hand, in *Gujarat Electricity Board v. Hind Mazdoor Sabha* (1995) 5 SCC 27, the Court ruled that if a contract is found to be a mere sham or camouflage to deny workers their rightful benefits, they must be treated as direct employees of the principal employer. These rulings highlight the complex legal landscape surrounding contract labour regulation. From an international perspective, the Act does not fully align with the International Labour Organization's (ILO) Social Security (Minimum Standards) Convention, 1952 (No. 102), which mandates comprehensive social security, including health care, unemployment benefits, and pensions. While India has introduced measures such as the Code on Social Security, 2020, many contract workers remain outside its effective coverage. The Act also requires better integration

⁴⁵ Trade Unions Act, 1926, Act No. 1926.

with other labour laws, including the Factories Act, 1948, the Industrial Disputes Act, 1947, and the Occupational Safety, Health and Working Conditions Code, 2020, to ensure a more comprehensive regulatory framework. In conclusion, while the Contract Labour (Regulation and Abolition) Act, 1970, was a progressive step, it requires urgent reforms to address current challenges. Strengthening enforcement mechanisms, ensuring compliance with international labour standards, and expanding social security provisions are crucial for enhancing contract workers' rights. A balanced approach that fosters economic growth while protecting labour welfare is essential to achieving a just and equitable industrial environment in India.

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