

Govt clears Code on Industrial Relations Bill; retrenchment norms not eased

Proposes to give legal backing to fixed-term employment

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Last Updated at November 21, 2019 02:08 IST



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The government has proposed to introduce in labour laws the concept of fixed-term employment

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The Centre on Wednesday approved the Code on Industrial Relations (IR) Bill, 2019 — considered to be the most contentious [labour law](#) amendments.

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The central government has withdrawn its proposal to give flexibility to big companies, in terms of manpower, to retrench or lay off workers and shut shop without seeking official consent, a government official said, requesting anonymity.

As a result, another proposal to increase the compensation for retrenched or laid off workers is also not a part of the Bill. However, instead of going for a change in the central law, there are provisions in the Bill which safeguards the amendments brought in by various state governments, giving flexibility to companies to “hire and fire” workers — a move that may be cheered by the industry.

To further help industries in hiring [contract workers](#) directly, the government has proposed to introduce the concept of [fixed-term employment](#) in the labour laws.

Sitharaman said the Bill has proposed giving a legal framework for [fixed-term employment](#) through which [contract workers](#) serving a fixed-tenure will get equal statutory social security benefits as regular workers in the same unit.

Under the present system, firms resort to hiring [contract workers](#) through contractors and they argue that it’s a resourceful exercise. Through the [fixed-term employment](#) system, companies will be able to hire contract workers directly.

“All workers, under a fixed-term contract, will be taken up on depending upon seasonality of industry but will be treated on a par with regular workers. This is the biggest feature (of this [labour law](#) amendment),” Sitharaman said.

She was quick to add that labour and employment minister Santosh Kumar Gangwar “spent a lot of time in consultation” with the trade unions and other stakeholders – pointing to the difficulties the government had in approving the labour code which was first proposed in its previous tenure in April 2015. Without divulging further details about the Bill, the Finance Minister said that the “state governments can take it (the proposed law) further.” The code will be introduced in the ongoing winter session of the Parliament.

In 2015, the government had proposed allowing factories with up to 300 workers to retrench, lay off or shut shop without seeking the government’s nod in the Industrial Relations Bill proposed in 2015. At present, factories with up to 100 workers can do so.

Amid severe opposition from trade unions on this proposal, the government decided to shelve it and retain the present threshold. However, doing so would have led to a situation where the [labour law](#) amendments of as many as nine states would have been nullified.

That is so because labour falls under the concurrent list of the Constitution. As a result, both the central and state governments are allowed to enact their own legislation. States can bring its amendments with a final approval from the Centre, but if the Centre amends the model Act, it takes precedence over others.

In the past few years, Gujarat, Jharkhand, Uttar Pradesh, Haryana, Andhra Pradesh, Maharashtra and Assam have allowed factories with 300 workers to retrench without official sanction. To ensure that all such states do not have to go to their legislative Assemblies to follow the central law, the government has given safeguard measures to ensure that some provisions do not override the changes brought in by the states.

But it's the opposite when it comes to fixed-term employment. The central government has proposed to bring fixed-term employment as part of the labour law, instead of administrative rules, so that it comes into effect across India.

In March 2018, the government had notified fixed-term employment rules, allowing industries to hire workers for a fixed tenure, but it was only applicable to the industry falling under the governance sphere of the Centre. None of the states had adopted the central government's rules and industry found it hard to benefit from the central government's fixed-term employment rules.