

Limit on Contract Workers May be Fixed at 50% in Cos

Yogima Sharma

New Delhi:

FOSTERING EQUALITY Move to help workers join regular workforce with better wages & benefits

The government is considering fixing the proportion of contract workers that an organisation can hire, a move that may help it dilute opposition to labour reforms but is sure to trigger stiff opposition from industry .

The first draft of the proposal will be finalised soon, after which the government will kick-start consultation with key stakeholders, including trade unions and employers, a senior labour ministry official told ET. While it is still in the concept stage, the plan being considered is to limit the portion of contract workers in companies to 40% to 50% of the total workforce, with a pay that is no less than the government-prescribed minimum wages. The proposed changes to the Contract Labour (Regulation & Abolition) Act may also make it compulsory for companies to absorb contract workers to the regular fold whenever a permanent position opens up. The move could spell a bonanza for contract workers as they could get an opportunity to join the regular workforce with better wages and benefits. But companies both private and state-run which are increasingly employing contract workers because the ease of hiring and firing according to changing requirements, may see it as a hitch.

The central government is the biggest purchaser of contract services: in 2012-13, it hired more than 20 lakh contract workers through nearly 43,000 licenced contractors. Prime Minister Narendra Modi's government has been pushing key labour reforms to improve ease of doing business in India as well as enhance the working and living standards of workers. But much of the reforms have been termed as anti worker by labour unions, which on September 2 held a nationwide strike to protest against proposed labour policies. The latest plan may find favour with the unions, though they may still demand similar wages for workers on contract and regular employment, and not minimum wages. "No such proposal has come to us yet but hiring fixed proportion of contract workers would certainly restrict the misuse and exploitation of contract workers at the hands of the employers," a central

trade union representative said. One of the aims of the new move, the labour ministry official said, is upgrading the skillsets of workers by linking part of their increments to this.

According to the official, under the fresh round of changes proposed to the Act, companies will have to provide a small mandatory annual wage increase to contract workers. They will be entitled to a major hike once in five years provided that they upgraded their skills to match the levels of regular workers.

"India is committed to move towards regularisation of workers," he said. "Our effort is to provide a window of opportunity to the contract workers to become regular by upgrading their skill and hence we are mulling key changes to the Contract Labour (Regulation & Abolition) Act." Owing to the flexibility of terminating the services of contract workers as well as lower cost of employing them, companies generally hire more contract workers than they need.

The existing law cannot address the problems of contract labourers since a mere three lakh of the 80 million people on contract today are in the organised sector. As a result, even the ambit of the Act is being widened to include unorganised contract workers, who would be mandatorily hired through a staffing agency.

ET VIEW

On Contract or Otherwise, Better Environment, Benefits

As the economy picks up, we need labour reforms for a thriving labour market. A rigid market would keep the organised sector sub-optimally small and quite stagnant. The instrument of contract workers can provide some flexibility going forward. But in tandem, what's required is innovation, skilling and a better work environment to attract and retain well-trained labour. Also, a fixed proportion of contract workers may be impractical in most sectors. Instead, the policy focus ought to be on extending better benefits to all workers, on contract or otherwise.

Will It have Bite?

Govt plan:

Make it mandatory for cos to fill permanent vacancies using contract workers only

Wages of contract workers to match the minimum wages prescribed by the govt

Provide small annual increment to contract workers

Major hike in salary every five years provided they acquire certain level of skills



How will it help?

Regularise appointment of contract workers

Give contract workers an opportunity to improve their skills

Employers will no longer hire and fire contract workers based on the seasonality of business

Will help employers retain talent
unorganised workers comprise 93% of estimated 480 million workers