



Contract Labour a Nonstandard form of Employment

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Abstract - Work is a core activity of society. It is central to individual identity, links individuals to each other, and locates people within the stratification system. In the present scenario, a nonstandard form of employment, contract labour, is overgrowing in the public and private sectors. After implementing the liberalised policy, the contract labour system expanded in the Indian labour market. For several decades, flexible labour has increased due to the informalisation and casualisation of the global economy. Contract labourers generally have low wages, few or no benefits, limited or no collective representation, and little job security. In this sense, it is precarious employment. Several studies show the difference in wage rates, hours of work, holidays, and social security benefits between regular and contract labour, even in cases where contract labour is performed the same work or work of a similar kind. This paper tries to understand the nonstandard employment relation of contract labour with organisations. It is based on a secondary source of data. The share of contractual workers in service jobs increases rapidly. However, the paper finds contract labour has vulnerable terms and conditions.

Keywords- Contract labour, nonstandard employment, Informalisation, Casualisation, Terms and Conditions.

Work is a core activity of society. It is central to individual identity, links individuals to each other, and locates people within the stratification system. In the present scenario, a nonstandard form of employment, contract labour, is overgrowing in the public and private sectors. After implementing the liberalised policy, the contract labour system expanded in the Indian labour market. George

(2003), in his study, examines whether employment externalisation or the use of contract workers in organisations would negatively relate to internal workers and organisations. He defined internal workers as full-time workers directly administrated by the organisation. In contrast, temporary or contract workers at the organisation are external workers. Such workers could include direct hire individuals sent by contract agencies and firms. The act defines a contract worker, a contractor, and a principal employer. It refers to labour other than those in regular employment based on a direct, definite, and identifiable employer-employee relationship. Contract labour is defined in clauses 2(a) to 2(h) of the Contract Labour (Regulation and Abolition) Act 1970 as one who is recruited in or in connection with the work of an establishment by or through a contractor, with or without the under the knowledge of the principal employer.

There are two types of contract labour systems: job contracts and labour contracts.

- i) A job contract is a type of contract labour system where the principal employer assigns the work to the contractor to supply goods and services. The contractor or agency sends his employees to the principal employer. These contractual workers work with the principal employer under the supervision of the contractors. Once the job is done, these contractual workers will be shifted to another principal employer where the contractor is supposed to get the work.
- ii) Labour contract is a type of system in which the contractor recruit workforce to the principal employer for the work of the organisation. Employers hire temporary workers to cut down on the cost of hiring regular workers. In labour contract system, contractual workers do similar work that is being performed by regular employees of the primary employer for lower pay. Large and medium establishments have specific operation process where the prescribed jobs are outsourced by giving contract on lump sum payment including labour cost to the contractor who engages his own workers. And the less skilled jobs or perennial jobs are engaged in contractual roll based on the labour contracts. The practice of engaging contract labour succeeds in almost all industries and services.

The contract labour occupied by an employer either by direct recruitment or through an intermediary. In direct recruitment, the employee may be engaged on regular basis or for a fixed term. Nonetheless, he or she is the employee of the employer and the employment relationship is governed by the rules of the employer's enterprise, if it is a regular appointment, and by the contract of service, in case of contractual appointment. However, in all cases are subject to the provisions of the Constitution. The second type of engagement of labour is a triangular employment relationship. The enterprise for which work is performed is known as principal employer or the user enterprise. The relationship between the workers who actually perform the work and the principal employer is mediated by one or more other parties who actually occupy the workers and pay them. These intermediaries are known by various names such as employment agencies, contract agencies, brokers,

contractors, jobbers, middle men, sub-contractors etc. The contract labour system has been general all over the world for a long time. However, it is particularly after the globalization of economies that there has been a rapid increase in the use and abuse of contract labour.

Debi S. Saini (2010), in his paper, describes the legal framework of contract labour employment in India. He reviews Contract Labour (Regulation and Abolition) Act 1970 and relates it with the vulnerabilities contract labour suffers from. Contract labourers constitute a large part of the total wage employment in India. The employment culture is now becoming contract culture. He argues that contract labour employment in core activities is exploiting in nature because of weak bargaining power of workers. The paper gives reference for effecting change in framework based on the Andhra Pradesh amendment to the Contract Labour Act.

Meenakshi Rajeev (2006), looks at the status of contract labour in the state of Karnataka. The study disclose that a number of large firms pay wages above the minimum wage fixed by the state and support an increase in the minimum wage levels. On the other hand considerable number of small firms exploits the contract workers in various ways, including through non-payment of minimum wages. The study finds contract labour working within worse social security networks and supervisory mechanisms. In his study, R.C. Saxena (1986) investigates the cause of non-direct-recurring contract labour by the firm or industry. Contract labour is not on the firm's payroll and is not compensated. This is the main concept of the contract labour system. Most of the workers working as contract labour work in deplorable conditions for long hours and low pay as compared to permanent workers who perform similar work. Many of the social security benefits, such as the provident fund, health insurance, gratuity, and paid leave, among others, are not properly provided to contract labour.

Several studies find working condition of contract labour far away from the concepts of decent work. Contract workers are in a weaker position to negotiate terms and conditions with employers.

Informalisation of workforce- Labour flexibility has become a central tenet of neoliberal- led structural reforms. For several scholars flexibilisation is synonymous with lower wage, insecurity and more uncertain employment. Organisations use contractual workers to attain numerical and functional flexibility. Broadly speaking, numerical flexibility is about the deliberate erosion of employment security that is achieved by legislation, regulatory reforms, and the trend of informalisation and contract out the labour functions. Further, functional flexibility is intensification of job insecurity. It means workers have no control over their jobs and must accept tasks imposed on them. Organisations achieve functional flexibility when they are able to hire workers to deal with special tasks and skills and for short-term duration. Thus, contract labour is a convenient source of numerical flexibility. Contractualisation is one of the key trends facilitating

broader informalisation of labour. In most of the Asian countries, the manufacturing sector is increasing informalisation through contractualisation and agency work (Chang, 2009).

The government of India, after liberalisation has been committed to creating a flexible labour market as well. It can also be seen in the policy recommendations of the Second Indian National Commission on Labour which acknowledged that in the changed economic circumstances in view of globalisation, 'there cannot be a fixed number of posts in any organisation for all time to come. Organisations must have the flexibility to adjust the number of their workforce based on economic efficiency' (Report of the 2nd Indian National Commission of Labour, 2002). The commission also diluted the prevalent distinction between core and peripheral work areas for engagement of regular or contractual labour when it stated that for sporadic seasonal demand, the employer may engage temporary labour for core production/service activity. Thus, the rise of contractual manpower in the public sector since liberalisation outlines the government's direction towards the informalisation of work in a subtle way (Shyam Sundar, 2012). In the private sector, the government policy was more towards opening up the labour market increasingly through an emphasis on capital investment and job creation rather than on job quality. Therefore, broadly speaking, the contract labour form of precarious work is the result of flexibilisation and casualisation of the labour market. Contract labourers generally have low wages, few or no welfare benefits, limited or no collective representation, and little job security.

In their paper, Ravi Srivastava et al. (2016) analysed the nature and increasing precarity of India's economy in the last decade and a half. They examined the trends in informal employment in 2004-05, 2011-12 and 2017-18. The study analysed NSS-EUS and PLSF data. It revealed industry-wise, in the total percentage of employment in year 2017-18, 92.97% of workers were informal workers, while only 7.03% of workers were in formal employment. Specifically, in the service industry, the ratio of formal and informal workers was 12.06% and 87.94% respectively. Further, in the health-social work sector, formal employment has decreased from 37.62% to 32.78%, and informal employment has increased from 62.38% to 67.22% between 2004-05 and 2017-18.

Working condition of Contract labour- Working conditions cover a broad range of topics and issues, from working time (hours of work, rest periods, and work schedules) to remuneration, as well as the physical conditions and mental demands that exist in the workplace. Present conditions of contract labour, such as adverse climatic conditions, migratory nature of labour, low wages and standard of living, low-efficiency machinery and poor quality of raw materials, lack of education, long hours work, unacceptable working condition, bad housekeeping standards, and often indebtedness of the labour and regular absenteeism. Permanent workers generally have better working conditions than

the contractual workers. Contract labour associate with temporary jobs which typically lack the job security, fringe benefits and possibilities for the advancement.

BagaramTulpule (1997), reviewed two status study- one relating to employment of contract labour in the public sector and other relating to the construction industry. The first study was done by the Maniben Kara Institute, an associate of Hind Mazdoor Sabha and the other by the NICMAR. At some places like Indira Gandhi Port and international airports, the number of contract workers was double than regular workers. Other significant feature revealed by the study is as follows:

1. The cost of employing contract labour much is below than equivalent regular labour. Fringe benefits payable for contract labour are very few.
2. Contract labour has no job security.
3. Enforcement of high work norms on contract labour.
4. In most units it was found that unceasing and essential part of the work was given to contract workers. Such works includes cleaning and housekeeping, watch and ward duties, transportation, maintenance, clerical work, stenography and so on.
5. A group of labour working under contractors.
6. Contract labour largely is non-unionized because workers fear victimization through contractors.

Legal framework - Contract labour not benefits from labour rights as such as regular labour. Several studies revealed contract labour that minimum wages fixed under the Minimum Wages Act, 1948. The provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, Employees State Insurance Act, 1948 and Employees Compensation Act, 2010 are applicable to contractual labour but in practice, no such allowances are being paid by employers. Contract workers are unaware of their rights under social security legislations. Contract workers are also entitled to all the benefits available to workers under the Factories Act, 1948 including those relating to weekly holidays, overtime wages, compensatory holidays, paid leave etc. But in practice, they are not given any paid holidays. Contract workers cannot seek any judicial remedy in the ordinary courts of law or labour courts under the Industrial Disputes Act, 1947. Even they do not get help from trade unions and International Labour Organisation. These are the reason behind contract labour weaker condition comparison with legal entitlement and protection for labour in organized sector.

Contract Labour (Regulation and Abolition) Act, 1970

The aim of CLA is gradual abolition of contract labour hiring and, where permitted, to regulate the working condition of contract labour. The Act regulates the legal entitlements or the rights, privileges, power and immunity of the workers, contractors, and the enforcement agencies (state). The CLA applies to every establishment where 20 or more workmen are employed or were

employed on any day of the preceding 12 months as contract labour (Section 1). The contract labour system covered under the Act includes both labour contracts and job contracts. The contract labour Act does not apply to establishments where work of an intermittent or seasonal nature is performed. Contract workers are prohibited from perennial core activities. The contract labour system covered under the Act includes both labour contracts and job contracts. In 'Labour contract', the contractor or agency outsources the labour to the principal employer, who assigns work and supervise and control the workers. The second category 'job contract' the contractor or agency exercises all supervision and control on the workers for the job assigned by the principal employer. However, in both cases the primary control of recruitment, work distribution and compensation are to be exercised by the contractor, whereas the secondary control is to be exercised by the principal employer who is the ultimate beneficiary and payer of the work.

Conclusion- Studies mostly focus on the behaviour, attitude and condition of nonstandard workers compared to standard workers in the organisation. As the nature of contractual labour is temporary, they have a weaker attachment to their organisation. As a result, they have lower identification with the organisation, lower job satisfaction and lower commitment to the organisation. Contractual workers work alongside permanent workers in workplace. They are aware of different wages, different level of job security and different benefits of each other from the job. Several studies reveal that contractual workers are being discriminated in the payment of wages, support from labour union, measures for job satisfaction. It is also found that the condition of contractual workers is slightly better in the public sector instead of the private sector.

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