FROM CHAOS TO ORDER

An Approach Paper to Drafting Labour Codes for India

Srijoni Sen
Faiza Rahman

“Whoever spits in contravention of sub-section (3) shall be punishable with fine not exceeding five rupees.”

-Section 20(4), Factories Act, 1948
I. INTRODUCTION

Since the formation of the new NDA government at the Centre, labour law reform has been at the forefront of policy conversations. The discussion, however, has largely revolved around two issues - the number of employees that forms the thresholds for various regulations to be triggered, and the reform of the regime of labour inspectors. ¹

The priority given to issues of this nature are indicative of the constraint faced by policy-makers when attempting reform in a highly contentious area. Labour law reform is the biggest policy hurdle facing India today. It is characterised by deep divisiveness and a complete failure to arrive at a consensus on issues such as flexible hiring and the rights of trade unions. In this situation, reform of administrative procedures are easier to introduce, and it is relatively simpler to narrow the scope of applicability of a law rather than change its substantive effect.

An examination of Central labour law statutes in the country reveals however, that over time the system of labour regulation has become deeply flawed. As this paper will show, labour law statutes

¹ The new reform initiative under the title ‘Shramev Jayate’ has so far attempted to curb the discretion enjoyed by labour inspectors, while Rajasthan’s amendments raising thresholds under the Industrial Disputes Act, 1947 and the Contract Labour (Regulation and Abolition) Act, 1970 have attracted widespread national attention.
are no longer equipped to deal with the demands of the modern labour market, and they cannot be fixed by introducing a few small key changes. This is because, with the progress of industrialisation and the liberalisation of the Indian economy, the very architecture and approach of labour statutes in India has become unequal to governing modern labour relations.²

Although the way forward is deeply contested, certain proposals are more acceptable than others, and can go a long way in addressing the confusion and non-observance characterising the operation of labour laws. Chief among these proposals is the task of harmonising and consolidating Central labour law legislation, which this paper explores in detail.

II. CENTRAL LABOUR STATUTES: A TANGLED WEB

The much discussed rigidity of labour laws is not the sole reason why employers and employees alike find them near-impossible to follow. The 53 Central labour laws in India (listed in the Appendix to this paper) are a classic example of overly complex, fragmented legislation crying out for consolidation and simplification.

The United Kingdom Office of the Parliamentary Counsel (OPC), a specialised body tasked with the drafting of all legislation, has discussed at length the harm that overly complex legislation can cause. Its summary seems eerily familiar in the context of Indian labour law: “Excessive complexity hinders economic activity, creating burdens for individuals, businesses and communities. It obstructs good government. It undermines the rule of law.”³

The former Lord Chief Justice Bingham, in his influential book on the rule of law, explains why complex legislation undermines the rule of law. According to him, ‘the law must be accessible, and so far as possible intelligible, clear and predictable.’ Otherwise, it becomes difficult for people to either exercise their rights or perform their obligations. Particularly with respect to the laws governing businesses, Lord Bingham highlighted the goal of certainty - clear and uniform legal rules promote commerce and encourage growth, while complexity militates against this goal.⁴

Central labour statutes range from the very dated (the Employers Compensation Act, 1923) to the very new (Unorganised Workers Social Security Act, 2008). Some are extremely specific in their applicability (such as the Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976) while others impinge on every labour relation (the Equal Remuneration Act, 1976). Regardless of their subject-matter, these statutes reflect every characteristic of excessively complex regulation enumerated by the OPC:

⁴ Tom Bingham, The Rule of Law (Allen Lane, 2010) 37-38
1) Ineffective

A law is characterised as ineffective if it fails to achieve its policy objectives, its enforcement is erratic, or where its implementation generates substantial negative outcomes. Labour law enforcement in India bears all these ignominies.

The stated broad policy objectives of labour law, as enshrined in the Directive Principles of State Policy, is to ensure the right to work, social security, humane working conditions, a living wage and the participation of workers in management. Today, unemployment is at 4.9%, only 10% of the workforce has access to the organised sector social security net, there are at least 40,000 workplace-related deaths annually and over 300 million people live on less than Rs. 80 a day.

At the same time, influential economic studies show that the rigidity of labour laws militates against growth, while the corruption of labour inspectors and consequent harassment of employers is well-known. Thus it is clear that labour law legislation in the country is not meeting its stated objectives, serving the interests of neither employer nor employed.

2) Inaccessible

Excessively complex legislation makes it difficult for its users - the employers and the workforce in the case of labour law - to identify the laws they have to follow. Inaccessible laws greatly increase costs of compliance, and detract from its beneficial effects. Subjects find it difficult to determine what benefits they qualify for, and what they are kept out of. Both the inaccessibility of the law in terms of its usability, and the actual gaps in the coverage of the law result in a significant erosion of its authority.

5 Supra note 2


11 Supra note 7 at 6.
The network of over 50 Central labour law statutes and at least a 100 more State laws together create a dense and confusing regulatory structure that is difficult for the layman to navigate with any degree of certainty. One of the major reasons for this is different provisions triggering on different thresholds within the same type of establishment. The thresholds in the Industrial Disputes Act have been repeatedly highlighted as a case in point. The procedures for lay-offs and retrenchments in industrial establishments (the definition of which encompasses a vast array of activities) vary according to whether an establishment has less than 50, between 50 and 100, or more than 100 workers. The rights of a retrenched worker depends on whether he has been in continuous service for one year. The determination of what constitutes ‘continuous service’ has multiple caveats and rivals taxation statutes in its complexity.

Rules differ not only depending on the number of workers, but also the wages paid to each worker. For example, while the Employees State Insurance Act extends its ambit to workers receiving up to fifteen thousand rupees a month, this number is pegged at ten thousand rupees for the Payment of Bonus Act, and eighteen thousand rupees for the Payment of Wages Act. Different wage ceilings with no clear justifications adds to the inaccessibility of the law. Further, while some laws allow changes to these ceilings through notification, in others, they can take place only through legislative amendment. This means that inflation results in poor workers being left out of the ambit of beneficial legislation.

Regardless of the position one takes on the degree of government control in labour law, one can surely agree that the manner in which this control is implemented can be simpler and more efficient. It is solutions to problems of this nature that will be looked at in further detail in this paper.

3) Disjointed

A disjointed system of laws results in overlapping regulations and administrative structures, and uneven application of regulatory provisions. Of the 53 Central labour law statutes, at least 31 have provisions for setting up one or more authorities such as wage boards, welfare committees etc. Although state and central government have attempted to consolidate various labour functions into single authorities, the fragmented nature of the statutory system often hampers this endeavour. For example, the Plantation Labour Act specifies a separate Commissioner for a single purpose: to


13 Section 25B, Industrial Disputes Act.

14 See Ministry of Labour and Employment, GSR No. 349(E) dated 20-4-2010

15 Section 12 of Payment of Bonus Act, Calculation of bonus with respect to certain employees- Where the salary or wage of an employee exceeds three thousand and five hundred rupees per mensem, the bonus payable to such employee under section 10 or, as the case may be, under section 11, shall be calculated as if his salary or wage were three thousand and five hundred rupees per mensem.

16 Section 1(6), Payment of Wages Act, 1936 -This Act applies to wages payable to an employed person in respect of a wage period if such wages for that wage period do not exceed six thousand five hundred rupees per month or such other higher sum which, on the basis of figures of the Consumer Expenditure Survey published by the National Sample Survey Organisation, the Central Government may, after every five years, by notification in the Official Gazette, specify.
determine the amount of compensation payable by an employer in case of collapse of a house provided to a worker.17

A multiplicity of authorities has a particularly detrimental effect on labour dispute adjudication. Due to separate mechanisms established under each law, disputes relating to wages or injury compensation claims are dealt with by authorities notified by various state governments under the different laws. This creates unevenness in the way labour laws are enforced in the country, and results in inordinate delays.18 The Comptroller and Auditor General’s Report on labour law adjudication in 2007 revealed that more than 40% of the cases heard in the period 2001-2006 in State adjudication fora remained unresolved, while the rest were disposed after ‘considerable delay’.19

Another reason for the disjointed application of labour laws is the wide powers of Government to exempt specific types of industries from the operation of almost any labour law statute. The power to exempt is exercised without any guiding principles and minimal oversight, either in the law or in administrative procedures. This provides an additional, fertile ground for corruption. Speaking on exemptions in the corporate taxation regime, the Finance Minister in the 2015-16 Budget Speech in Parliament said “A regime of exemptions has led to pressure groups, litigation and loss of revenue”. The same may validly be said of exemptions in labour law.

4) Unclear

Unclear legislation, according to the OPC, has ambiguous or contradictory provisions; is layered and heavily amended; and suffers from jurisdictional issues.20 Again, labour laws in India serve as textbook examples.

This can be amply demonstrated by looking at the definition of key terms in labour statutes. Terms such as ‘workman’, ‘industry’ and ‘contract labour’ are inconsistent across different statutes, or suffer from problems of obsolescence or over-inclusion. Issues with the language used in critical definitions have been the source of considerable litigation in the last six decades. This in turn imposes heavy costs, not just due to the litigation but also the consequent delays.

Problems of this nature have been highlighted by a number of different independent observers, including the Second National Labour Commission, which noted, for example, that the definition of ‘workman’ in Workman’s Compensation restricts its applicability. Similar concerns were raised by the Royal Commission on Labour 1929, The National Commission on Labour 1969, the Law Commission of 1974, the Economic Administration Reforms Commission, 1984, the Law Commission of India 1989, and others.

One of the most blatant examples of the problems that contested definitions can cause is the term ‘workman’ in labour law statutes. In the Industrial Disputes Act, due to the way the definition has been worded, certain categories of employees who receive remuneration far greater than the average

17 See sections 16A-16G of the Plantation Labour Act, which set up an entire administrative procedure for this purpose alone.
18 Supra note 7.
20 Supra note 2.
manager, and enjoy more authority, are treated as workmen. Meanwhile protection is not granted to deserving employees who are not workmen, either due to their managerial position or due to judicial pronouncements keeping them out of the purview of the term.²¹

5) Unnecessary

Provisions in the law become unnecessary when they do not serve any practical objective, while imposing needless burdens on the economy or society. This becomes inevitable when laws are outdated, with provisions that are no longer in sync with modern exigencies. Labour law is riddled with examples of unnecessary provisions which do little except provide avenues for corruption. Laws regulating safety and working conditions in factories and plantations, for example, are particularly rife with such examples. Take for example Section 19(2) of the Mines Act on the provision of drinking water:

“(2) All such points shall be legibly marked ‘DRINKING WATER’ in a language understood by a majority of the persons employed in the mine and no such point shall be situated within six metres of any washing place, urinal or latrine, unless a shorter distance is approved in writing by the Chief Inspector.”

According to the Act, the Chief Inspector of Mines, who is a single person appointed by the Central Government for the administration of all mines in the territory of India, is to individually approve every drinking water source in every mine less than six metres from a washing place.

This is merely one example from a set of laws, all of which reflect this micro-managerial approach to regulation. Another problem occurs when the law itself may be necessary, but the fine upon violation is so minor as to render the provision unnecessary. The Weekly Holidays Act, 1942, for example, which mandates that shops, restaurants and theatres remain closed for one day a week, imposes a fine of twenty-five rupees for violating its provisions.

Absurdities like this clearly demonstrate that labour law reform has been delayed to a point where only large-scale overhaul can address the situation. This paper, therefore, proposes a way forward for the streamlining and updating of labour laws, from a legal perspective. Rather than taking policy stances on individual issues, this paper examines a possible approach to solving the kind of problems highlighted above. While this Paper focusses solely on Central labour statutes as examples, both State laws, and subordinate legislation suffer from these problems, and will benefit from similar reform measures.

III. INTERNATIONAL APPROACHES TO REFORMING A STATUTORY REGIME

It is clear, from the above discussion, that labour law reform requires not just clear policy direction, but a systematic redrafting of the laws as well. Internationally, countries facing dilemmas of this nature have embarked on projects to integrate laws, creating new, reformed Codes in place of fragmented and outdated laws. The integration of laws entails both harmonisation of substantive provisions, as well as administrative integration of mechanisms. Its benefits are clear - integration

promotes consistency of regulatory requirements and thus certainty for those regulated, improves compliance and streamlines administrative processes.\textsuperscript{22}

The Law Commission in the UK, for example, has undertaken a number of projects on consolidation of laws, which it defines as “useful reduction of scattered enactments and judgments on a particular topic to coherent expression within a single formulation subject to any changes necessary as a result of review”. It considers regular consolidation of this nature inevitable, as, over time, provisions become obsolete, needs change, and successive amendments distort the original structure of the law.\textsuperscript{23}

However, the task of consolidation as envisaged by the UK Law Commission involves only minor, technical changes to substantive provisions - it changes the way the law is organised, rather than its effects. To address the problems highlighted in this paper, mere consolidation in the sense followed by the UK will not be sufficient. For labour laws in India, substantive reform and consolidation must go hand in hand.

A comprehensive approach to integration of laws involves the drafting of a set of Codes to replace scattered statutes. While a Code does not enjoy any greater authority than a statute, and the procedure followed in introducing the two are identical, a Code has certain objectives which a statute does not. This usually means that a Code differs in form and structure from a statute. A Code, for example, aims to be complete, systematic and unifying,\textsuperscript{24} characteristics that will be explored in detail in this section.

The overarching aim while drafting Codes is to improve certainty and coherence, recognising that best practices in legal solutions have moved away from complicated procedures, recognising them to be at odds with both efficiency and justice. As a legal scholar puts it: “The legal community of the twenty-first century expects a code to be systematic, easy to negotiate, ensuring obligations and rights are understandable.”\textsuperscript{25}

A useful starting point to understand the characteristics of an effective Code is to look at the original proponent of the codification process in common law countries - Jeremy Bentham, and his theoretical work on codification.\textsuperscript{26} While the characteristics described by Bentham have never been fully realised


\textsuperscript{24} Contrast, for example, the structure and objectives of the Codes of Civil and Criminal Procedure, which govern almost the entirety of court procedure, with a statute on a specific subject such as the Cine-Workers Welfare Fund Act.


\textsuperscript{26} Jeremy Bentham, \textit{A General View of a Complete Code of Laws} (1802) as cited in Gunther Weiss, ‘The Enchantment of Codification in the Common Law World’, (2000) 25 Yale J. Int'l L. 435. Although Bentham was arguing for judge-made commonly law to be codified by legislatures, his ideas discussed
in any Code,\textsuperscript{27} they are nonetheless useful goals to strive for in the task of drafting. According to Bentham, the following constitute the characteristics that an ideal Code should possess:

1. **Systematic:** A Code must have a definite order and structure. This is commonly regarded as one of its most characteristics features. To be a Code, rather than a mere collection of statutes, the form of the legislation must be clearly structured and internally consistent, providing a conceptual framework which can be applied to further legal development in the field.

2. **Complete:** According to Bentham, a complete Code has three characteristics. It must be exclusive, comprehensive and free of gaps. While this does not mean that rules must be drafted for every single situation, a good Code must be sufficiently forward looking to anticipate contingencies of different natures. Further, the Code should be the primary source of authority on a subject, even if there are supplementary rules found in other sources.

3. **Authoritative:** The authority of the Code must be unquestioned. While in the 19th century this merely meant that the source of the authority for the law must be the sovereign, in the modern context authority can be taken to mean that the intent of the legislature must not only be clear, it also has to be expressed clearly in the Code.

4. **Reformatory:** For Bentham, codification necessarily meant changes to both form and substance of the law. The process of consolidation is thus not only a matter of technical drafting to combine different statutes, but also involves doing away with overlapping or obsolete provisions, harmonising incoherent rules and reducing complexity. The process of codification must be aware of the distinction between motivated and unmotivated incoherence. Motivated incoherence occurs when different regimes are consciously adopted for different situations, even though it detracts from a uniform approach. Unmotivated incoherence, on the other hand, creeps in by accident, and results in contradictory directions which have no justification. Labour law statutes in India contain numerous examples of both. A successful process of consolidation must identify both kinds of cases, preserve the former and do away with the latter.\textsuperscript{28}

5. **Simple:** Bentham’s ideas on simplicity intended the law to be understood and used by laypersons without the assistance of lawyers. This is a laudable, but rarely achieved goal, particularly when a law also strives to be complete. Nonetheless it is important to keep this principle in mind and adhere to it as far as possible in any task of drafting. This is particularly true of a Code which aims at unifying the law and harmonising its provisions.

With these principles in mind, the next two sections of this paper sets out an approach to drafting Labour Codes in India. With due regard to the enormity of the task in hand, this paper forms merely an approach highlighting key issues and principles that may be usefully kept in mind as this task is undertaken.


\textsuperscript{28} Supra note 23.
IV. Systematic Categorisation of Indian Labour Statutes

With glaring issues of the nature discussed in Section III, the project of consolidation and harmonisation of Indian labour laws has been on the agenda of governments since at least the 1990s. In 1994, the National Labour Law Association drafted the Indian Labour Code (draft), which attempted to consolidate the fundamental principles of Indian labour jurisprudence into one major code. Subsequently, the Second National Labour Commission (hereinafter ‘SNLC Report’) was constituted in 2002 to study the existing labour laws and to address the urgent issue of rationalisation, consolidation and simplification of these laws. The Commission was also handed the task of formulating umbrella labour legislations guaranteeing the minimum level of labour protection and welfare measures and providing basic institutional framework for ensuring it.

Further, integration and consolidation of labour laws into umbrella legislations providing general protections to a category of labourers is not a new concept. It has been previously carried out in various jurisdictions across the world. For instance, the United Kingdom has enacted the Employment Relations Act, 1999 which codifies the right to Union recognition and individual employee rights in the United Kingdom. The United States has also enacted the Occupational Safety and Health Act, 1970 which lays down the basic standards for occupational safety and health and sets up an institutional framework for inspections, investigations and record keeping.

The SNLC Report suggested consolidation of existing labour legislations into four codes, (i) law relating to working conditions, welfare, safety and health; (ii) social security; (iii) employment relations; (iv) law on wages; and (v) law relating to miscellaneous matters. Based on these recommendations, and through an individual study of 50 odd Central labour laws in operation today, we arrived finally at the following categorisation for labour laws in India. The chief difference from the SNLC recommendations are twofold - first, we recommend that the laws related to working conditions and welfare be separated into two categories, given the sheer volume of laws in this area, and also given how such laws are structured abroad. Second, we recommend that the miscellaneous category be done away with, since it results in a mixed-bag of provisions leading to the kinds of problems outlined above. The question of how laws that do not fit into any of our proposed categories should be dealt with has been discussed later in this section.

With this in mind, we propose that the labour laws should be unified and integrated into the following Codes:

i. Working Conditions and Safety;

ii. Labour Welfare;

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30 Supra note 20 at para 1.10.


iii. Social Security;
iv. Employment relations; and
v. Law on Wages.

Questions on the approach to this categorisation immediately arise. Currently, a number of labour statutes are drawn up to regulate a certain type of employment (for example, beedi workers) rather than the nature of the relation being regulated (whether it regulates welfare or wages). This approach has led to the fragmentation of laws, since there are obviously more types of workers than the nature of work being regulated. To avoid such a situation in the future, we recommend that Codes cover all types of employees for a particular topic, with general and special standards prescribed where necessary.

With this principle in mind, we have drawn up an initial categorisation of Central labour statutes which would have to be consolidated in each Code. Notes on the inclusion of a law in a category have been provided where necessary.

(A) Working conditions and safety

Article 43 of the Constitution which forms a part of the Directive Principles of State Policy mandates that the State shall endeavour to secure, by suitable legislation or economic organisation or in any other way, to all workers, agricultural, industrial or otherwise conditions of work that ensure a decent standard of life and full enjoyment of leisure and social and cultural opportunities.

Labour legislations that pertain to conditions of employment are therefore meant to address the well-being of workers in their workplace. They can be best defined as legislations that shape the experience of workers at their workplace. A Code on working conditions and safety, therefore will regulate conditions during working hours. Existing statutes that will have to be incorporated regulate aspects such as working hours, leave and holidays, safety, sanitation, provision of crèche and canteen facilities etc. at workplaces. Therefore the following legislation can be categorised as legislations regulating working conditions and safety:

1. Weekly Holidays Act, 1942
2. Factories Act, 1948
3. Plantations Labour Act, 1951
4. Mines Act, 1952
5. Maternity Benefit Act, 1961
7. Beedi and Cigar Workers (Conditions of Employment) Act, 1966


34 Beedi and Cigar Workers are currently governed by three labour legislations namely, Beedi and Cigar Workers (Conditions of Employment) Act, 1966, Beedi Workers Welfare Cess Act, 1976 and Beedi Workers Welfare Fund Act, 1976. Although these legislations regulate the employment of beedi and cigar workers, they relate to separate aspects such as working conditions or welfare. Each legislation
8. Sales Promotion Employees (Conditions of Service) Act, 1976.  
9. Dock Workers (Safety, Health And Welfare) Act, 1986  
10. Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996  

(B) Labour Welfare

There are specific labour legislations which abolish, prohibit or regulate the employment of a type of labour that is not desirable in society such as employment of children, contract labourers or manual scavengers. Such statutes have been enacted as a welfare measure and it is recommended that they should be codified under the head ‘labour welfare’. The SNLC Report also noted that there are certain legislations that provide for safe and humane conditions of work within the workplace such as Factories Act, 1948, Motor Transport Workers Act 1961 etc., while there are also specific labour legislations that provide for a levy of cess on an activity or the setting up of welfare funds out of which welfare activities for the benefits of workers and their families are taken up. According to the SNLC Report, such legislations utilise these funds and cesses to further the welfare of labourers outside their workplace. It is evident therefore that previous studies undertaken also acknowledge that labour welfare legislations is a broad category and would necessarily consist of certain subcategories. Hence it is recommended that the legislations which intend to provide for the welfare of workers outside the workplace should also be consolidated under the head ‘Labour welfare’. Consequently, the following legislations should be integrated within the head ‘labour welfare’:

1. Children (Pledging for Labour Act), 1933

should form a part of a code based on the aspect of employment that it seeks to regulate rather than the group of workers to whom it is applicable. Further, within each code, separate provisions can be carved out to apply to a distinct type of labourers.

35 Sales Promotion Employees (Conditions of Service) Act, 1976 seeks to regulate the conditions of service of sales promotion employees and primarily deals with issues relating to appointment, leave and maintenance of registers. The legislation also extends benefits under certain other legislations under Payment of Wages Act, Maternity Benefit Act. Since the legislation is substantially about regulation of conditions of service, it has been classified under the head ‘conditions of employment’.

36 Dock Workers are presently governed by three labour legislations namely, Dock Workers (Regulation of Employment Act), 1948, Dock Workers (Safety, Health and Welfare) Act, 1986 and Dock Workers (Regulation Of Employment) (Inapplicability To Major Ports) Act, 1997. Although these legislations regulate the employment of dock workers, they relate to separate aspects such as conditions of employment or welfare. Each legislation should form a part of a code based on the aspect of employment that it seeks to regulate rather than the group of workers to whom it is applicable. Further, within each code, separate provisions can be carved out to apply to specific type of labourers.

37 Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 seeks to regulate the employment and conditions of service of building and other construction workers and primarily deals with registration of establishments, safety, health and welfare measures. The legislation also sets up central and state level advisory committees and welfare fund. Since the statute is substantially about regulation of conditions of service, it has been classified under the head ‘conditions of employment’.

38 Supra note 20 at para 6.119.

39 The Children (Pledging for Labour) Act, 1933 has been recommended for repeal by the 248th Report of the Law Commission of India titled ‘Obsolete Laws: Warranting Immediate Repeal’ at 36.
3. Dock Workers (Regulation of Employment) Act, 1948
5. Beedi Workers Welfare Cess Act, 1976
10. Inter-State Migrant Workmen Regulation Act, 1979
13. Child Labour (Prohibition and Regulation) Act, 1986
15. Dock Workers (Regulation of Employment) (Inapplicability to Major Ports) Act, 1997

(C) Social Security

The concept of social security emerges from the need for protection against unforeseen life circumstances. It covers all measures that provide benefits whether in cash or kind, to secure social protection inter alia, from insufficient income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member, lack of access to health care, insufficient family support, particularly for children and adult dependants and general poverty and social exclusion. Further, Article 41 of the Constitution which forms a part of the Directive Principles of State Policy lays down that the State shall, within the limits of its economic capacity and development, make effective provision for securing the right to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

Social security can be of both a contributory (insurance) and non-contributory nature. According to the SNLC Report, the term ‘social security’ should be used in the broadest sense to include preventive, protective and promotional measures. The Labour Commission identified two categories of social security schemes- that which is in the nature of social assistance where all citizens are beneficiaries and that which is in the nature of social insurance where beneficiaries make a

40 See note 5.
41 See note 2.
42 See note 2.
43 See note 5.
45 Supra note 20 at para. 8.52.
contribution, in part or in toto. Therefore, the following legislations can be clubbed together and consolidated into a Code that pertain to social security:

1. Workmen’s Compensation Act, 1923
2. Provident Funds Act, 1925
3. Employees State Insurance Act, 1948
5. Employees’ Provident Funds and Miscellaneous Provisions Act, 1952
7. Personal Injuries (Compensation Insurance) Act, 1963
9. The Payment of Gratuity Act, 1972

(D) Law on Wages

The Directive Principles of State Policy in the Constitution specifically lay down that the State should endeavour to secure, by means of legislation or economic organisation or in any other way, to all workers a living wage. Consequently, various legislations have been enacted to regulate different aspects of payment of wages, ranging from rate at which payment should be made to the time and method of such payment.

It is recommended that the following legislations that pertain to regulation of employment wages and remuneration for all categories of labourers should be categorised under the head ‘law on wages’:

1. Payment of Wages Act, 1936
2. Minimum Wages Act, 1948
3. Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1951
4. Working Journalists (Fixation of Rates of Wages) Act, 1958

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46 Supra note 20 at para. 8.35.
47 While the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 sets up Central and State boards to administer funds and provides for determination of dues from the employer in cases of dispute, it primarily provides for the institution of provident funds: pension fund and deposit-linked insurance fund for employees in factories and other establishments and therefore categorically falls under the head of ‘social security’.
48 Under the Payment of Gratuity Act, 1972, an employee is entitled to gratuity upon the termination of his employment after he has rendered continuous service for not less than five years. The payment of gratuity is made in order to provide benefit in cases of unemployment and therefore squarely falls under the head ‘social security’. Further, the SNLC Report also categorises the Payment of Gratuity Act, 1972 as a social security legislation.
49 Article 43 of the Constitution of India.
50 While the Working Journalists and other Newspaper Employees (Conditions of Service) and Miscellaneous Provisions Act, 1951 contains provisions pertaining to hours of work and leave, it primarily pertains to rates of wages, rates of interim wages and revision of rates of wages to be paid to working journalists.
5. Payment of Bonus Act, 1965

(E) Employment Relations

There are specific labour legislations that govern industrial relations in particular trades or employments. According to the SNLC report, laws pertaining to employment relations must provide for authorities to identify the negotiating agent, to adjudicate disputes and these must be provided in form of labour courts and labour relations commissions at both the state and central levels.\(^5\) Labour legislations which deal specifically with outlining alternate processes of dispute resolution such as collective bargaining through organisation of unions can also be easily integrated within ‘Employment Relations’ code. Therefore, it is recommended that the following legislations should be subsumed within the Employment Relations code:

1. The Trade Unions Act, 1926
2. Employer’s Liability Act, 1938\(^5\)
3. Industrial Employment (Standing Orders) Act, 1946
4. Industrial Disputes Act, 1947
5. Industrial Disputes (Banking and Insurance Companies) Act, 1949
6. Industrial Disputes (Amendment and Miscellaneous Provisions) Act, 1956

(F) Note on other laws

The 47 laws listed above cover most of the Central labour law framework. The few labour law statutes that are not covered fall into one of the following categories. First, certain legislations, although related to labour issues such as unemployment or training of labourers work better as standalone statutes as they form complete codes in themselves and apply to a specific type of labourer or intend to further a very specific welfare attempt. It is therefore recommended that the following legislations, and any other laws of this nature, should not be subsumed into any one of the abovementioned categories and should continue to function as standalone legislations:

1. The Apprentices Act, 1961

Second, there are certain other legislations which impact labour forces, safety or working conditions at a workplace but will not sit well in a Labour Code, since their primary aim is not to regulate labour relations. For instance, the Dangerous Machines (Regulation) Act, 1983 which seeks to regulate the trade, production and supply of dangerous machines with a view to ensure the welfare and safety of labourers working with such machines. Therefore, such legislations which do impact labourers but do

\(^{51}\) Supra note 20 at para 6.26.

\(^{52}\) The Employers’ Liability Act, 1938 seeks to declare that certain defences shall not be raised in suits for damages in respect of injuries sustained by workmen. As this legislation pertains to the defences that cannot be raised in an employer-employee dispute, it can be best categorised under the head ‘Employment Relations’.
not directly relate to labour welfare, employment relations, working conditions or wages have not been included in any of the aforementioned categories.

Third, certain other labour legislations have become obsolete. They have already been recommended for repeal in the 248th Report of the Law Commission of India on 'Obsolete Laws: Warranting Immediate Repeat'. Therefore, these legislations have also not been integrated into any one of the aforementioned codes. \(^{53}\)

Finally, the SNLC Report also noted that that small scale industries, i.e those that employ less than 50 persons, are uniquely situated inasmuch as they do not have the wherewithal to cope with the requirements imposed by various labour laws and are also more likely to fall prey to ‘inspector raj’. The Report had recommended that small scale industries should be governed by a set of self-contained, simple legal provisions which can be easily understood by the managements and are easy to implement. \(^{54}\) The report also came out with a draft legislation governing small scale industries.

Recently, this suggestion has been taken forward by the drafting of a proposed Small Factories (Regulation of Employment and Conditions of Services) Bill, 2014 which will regulate the employment and conditions of service in factories employing less than 40 persons. \(^{55}\) This initiative seeks to consolidate and simplify all labour regulations pertaining to issues such as payment of wages, hours of work, leave and holidays, maternity benefits etc., that are applicable to small scale industries. It is recommended that this code should be adopted in order to exempt small factories from stringent and complex labour laws that govern large scale industries. Further, it is also recommended that each of the aforementioned codes should contain a general and uniform exception exempting all small factories from their application.

This is a welcome measure that validly differentiates between large-scale and small-scale operations, whose regulatory needs are very differently. If a Small Factories Bill is passed, therefore, laws such as Labour Laws (Exemption from Furnishing Returns and Maintaining Registers by Certain Establishments Act, 1988 can be integrated within such a self-contained law for small scale factories.

V. What should Indian Labour Codes Look Like?

Consolidation of laws into the Codes suggested above is not just a matter of legislating a new law where all the provisions are clubbed together. As the first two sections of this paper have demonstrated, when drafting a Code, reform in both form and substance requires a careful adherence to certain basic principles. The question sought to be answered in this section is as follows - for a Labour Code to conform to the characteristics of an effective Code (as outlined in Section III), how should the task of consolidation of existing statutes proceed? One example, the proposed Safety and Working Conditions Code has been used in this section to put forward some ideas in this regard.

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\(^{53}\) This includes the Madras Compulsory Labour Act, 1858 War Injuries (Compensation Insurance) Act, 1943, and the Oudh Wasikas Act, 1886.

\(^{54}\) Supra note 20 at para 6.14.

\(^{55}\) Clause 2 (f) of the draft Small Factories (Regulation of Employment and Conditions of Services) Bill, 2014.
To begin with, a Code on Safety and Working Conditions must be systematic. Currently, stipulations on working conditions and safety measures are found scattered across multiple legislation. In some cases, such as where working conditions in mines are regulated, this specialisation is justified. In others, the need for a specialised law is not as clear. For example, the stipulations in the Motor Transport Workers Act relate to the provisions of canteens, restrooms, medical facilities, hours of work etc. There is no reason why a general law on the health and safety of employees should not be applicable to motor transport workers as well, with special provisions only when necessary. Because there is a separate law, however, there are also a separate set of rules, registration procedures, inspections and other administrative repercussions. Our system of labour laws, therefore, does not make the distinction between motivated and unmotivated incoherence outlined in Section III.

In the United Kingdom, which formerly had a similar system of separate laws for factories, shops, offices etc., a unified set of regulations called the Workplace (Health, Safety and Welfare) Regulations 1992 served to supersede much of the older Acts. The Regulations introduced a set of minimum standards of health and safety requirements to be applicable to all places of work, and the enforcement for breach of these standards was also unified in a single body called the Health and Safety Executive. Separate standards operate only where necessary, such as in ships, construction sites and mines.

Similarly, in the United States, the Occupational Safety and Health Act governs conditions in most private and public sector employment. It imposes certain general duties on employers, and additionally sets up an Administration which in turn promulgates health and safety regulation.

An Indian Working Conditions and Safety Code must particularly focus on a unified system of administration. Two measures are certainly worth considering - the adoption of a set of minimum standards applicable across the board, and the introduction of a unified enforcement regime. The Code can range from the general to the particular: after the general standards, subsequent chapters can address specific concerns, ensuring that no protection for workers is done away with it - special chapters on factories, construction workers, miners, dock workers etc. will probably be necessary in this Code. This has two advantages: it ensures that no categories of workers are outside the ambit of the law due to absence of special legislation, while ensuring that specific needs are met through specific provisions. In terms of administrative changes, the Code can set up unified administrative bodies for registration, inspection and enforcement of these standards, in the Centre and the States.

This brings us to the next characteristic of an effective Code - that of completeness. The task of codification has often led to questions on whether every aspect of a certain subject-area must be contained within its Code, and whether it should exclude every other source of law on the subject. Since labour law is a subject in the Concurrent List of the Seventh Schedule, this is not an achievable goal. What a codification of labour laws on a particular topic should achieve, however, is that for that topic, all Central provisions should be organised in an accessible manner, and inadvertent gaps should be identified and eliminated.

56 See Section IV(A)
57 See United Kingdom Workplace (Health, Safety and Welfare) Regulations 1992
58 See United States Occupational Safety and Health Act, 1970
For example, on the matter of fixation of wage rates for journalists, currently the legal provisions are found under two different acts. Beneficiaries of Acts like these often are not aware of their entitlements, and, further, actual gaps in the entitlements exist - the benefits available under the Working Journalists and Other Newspaper Employees Act, for instance, does not apply to television journalists. It is situations such as these that the codification task must address.

How does a Code aim to be authoritative? The authority of a statute in the modern era depends on a number of factors, but from an Indian drafter’s perspective, the most important of these is to move away from a regime of discretionary exemptions. The Indian experience with labour exemptions has shown that the uneven application of the laws, and the myriad ways in which exemptions can be granted, have eroded the authority and stature of the laws in the eyes of its subjects.

The next major issue in the process of drafting a Code is that of reform. In this paper, we have restricted ourselves to issues of legislative, rather than policy reform. That is to say, rather than determining hire and fire policies, for example, we point out problems in the law that persist even where the broad policy directions are clear.

Labour laws abound in such issues, and the new Codes will have to ensure that they are all adequately address. Reform will entail:

- Removing obsolete provisions: While there recently have been praiseworthy attempts to repeal obsolete laws, obsolete sections within otherwise relevant laws remain unidentified. Labour law is particularly rife with such examples:

- Removing contradictions or discrepancies: With more than 50 statutes, it is inevitable that some contradictions creep in. Provisions related to child labour in different Acts, for example, prescribe different ages for which child labour in that occupation is prohibited. This creates multiple loopholes and makes the elimination of child labour more difficult.

- Removing instances of over-regulation: Examples of over-regulation in labour laws have been highlighted in the first section of this paper - while many instances can be found in the statute itself, digging one level deeper into the rules under the statutes reveals that the general approach of labour laws in the country has been to closely prescribe every detail, to the point of absurdity. For example, the Tamil Nadu Factories Rules, 1950, prescribe that at least 284.1 millilitres of milk shall be available for every child in a factory crèche. It is also clear, however, that such prescriptions have not led to tangible improvements in the safety and health of workers in India.

- Modernisation of provisions: In a number of cases, the regulations prescribed are not only instances of over-regulation, they also do not serve the actual policy goal. Safety regulations are a pertinent example. Modern safety regulations in other countries regulate many areas untouched by our labour law, such as the need to create and publish emergency action plans and exits; avoiding hazardous levels of noise exposure; or the requisite standards of personal protective equipment. Thus, reform would involve not only doing away with unnecessary rules, but also incorporating newer, necessary ones.

Finally, the new labour Codes in India must be drafted simply. This involves not only the adoption of clearer and more accessible language, but also simplicity in the way in which provisions are


60 Rule 75, The Tamil Nadu Factories Rules, 1950.
structured. Some important steps in this regard would be to first, adopt clear and uniform definitions of key terms across the Codes, which better specify the subjects of each provision. This is especially crucial since the new Labour Codes should aim to be accessible to the vast, unorganised labour sector. Second, variations in ceilings or thresholds, which have no clear justifications, must be done away with. These two steps taken together would go a long way to extending the benefits of labour laws to groups that are currently left out inadvertently, either because a definition is not inclusive enough, or because they fall through the cracks of the various ceilings and thresholds. Third, the design of labour administration must also be rationalised. To give one example, clarity must be brought to the jurisdiction of the different labour adjudication fora available under the law today. To accomplish this, a study must be made of the basis on which disputes are sent to one body or the other, and of the effectiveness of each. Reforming labour administration is an enormous task, but the first step is to simplify its structures as mandated by legislation, doing away with overlapping and unnecessary bodies.

A strict approach must be followed in the creation of India’s labour Codes, with unfailing adherence to the five principles outlined in Section III. Otherwise, the contested nature of the subject matter will inevitably result in convoluted and ineffective laws that repeat the mistakes of the past. The principles outlined above have been presented in order to provide a starting point in thinking about how the questions and choices that arise when drafting a law should be resolved.

VI. SUMMARY OF RECOMMENDATIONS

To summarise, the following is the recommended approach to drafting Labour Codes in India:

- The solution to address scattered, overly complex legislation is a systematic consolidation of laws into a few select labour Codes. This approach has been followed with success abroad, and also recommended several times in the domestic context.
- A Code, in order to operate effectively, must be drafted keeping in mind a few core principles. A Code must be systematic, complete, authoritative, reformatory and simple in form.
- There are 53 Central Laws that may validly be classified as labour statutes. Of these, we recommend that 47 be consolidated into 5 labour codes; 2 be repealed as they have become completely obsolete, and 4 remain as standalone legislation.
- Based on a survey of existing recommendations, as well as an examination of the contents of each labour statutes, we recommend that the five labour Codes be classified as follows:
  - Working conditions and Safety
  - Labour Welfare
  - Social Security
  - Law on Wages
  - Employment Relations
- The task of creating these Codes entails more than the mere consolidation of existing statutes. Significant overhaul of both legal tools and administrative structures is required in
the drafting of these Codes. The guiding principles outlined in this paper may be applied in
the structuring of the Codes and the resolution of conflicts that will arise during drafting.
## Annexure

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