

The Contract Labour Registration Act (CLRA), 1970

This is legislation driven towards the welfare of the contract labourers or employees so that they are not exploited, and to introduce better and comfortable work conditions. It provides the guideline based on which the industry regulates the terms and conditions for the labour which are used from an outsourced contractor in any specific industry.

Introduction to CLRA

In India, the Ministry of Labour and Employment is the governing body for making and implementing laws with regards to the same. The prime responsibility of the Ministry is to protect the interest of the workforce, implement employee-friendly laws and ensure compliance by the industry in the country.

These laws provide a regulative environment for issues like minimum wage, occupational safety, accidental and benefits for social security, health, conditions of employment, etc.

CLRA or Contract Labour Regulation Act 1970 is a specific law and act that regulates the outsourced employees of your workforce. It provides the guideline based on which the industry regulates the terms and conditions for the labour which are used from an outsourced contractor in any specific Industry.

How CLRA came into being: A Brief History

It was a legal proceeding between Standard Vacuum Refining Company and its employees in the year 1960 that led to the establishment of the Contract Labour (Regulation & Abolition) Act, 1970, in India. Given the wellbeing of contract workers, the Supreme Court of India ruled in favour of the workers, protecting their interests, laying down guidelines that regulated contract labour, and elucidating the terms of the abolishment of certain assignments and work.

After hearing the recommendations from a tripartite committee, the Ministry of Labour and Employment took the step towards the drafting of the Contract Labour Bill. In 1965, during the 23rd session of the Indian Labour Conference, the same draft was discussed and examined.

On 31st July 1967, the bill was formally introduced in the Parliament and referred to a joint committee in 1968. Only after the assent of the President, both Parliamentary houses passed the bill on 5th September 1970. On 10th February 1971, the bill came into practice. Since then, for the advancement of the Act, provisions for both the state-level and central rules have been made.

What is CLRA, and is it applicable to your organisation?

The CLRA is legislation driven towards the welfare of the contract labourers or employees. So that they are not exploited and also to introduce better and comfortable work conditions. As per the guarantee under the CLRA, none of the parties can be absolved from any liabilities towards the contract employees by any act of non-adherence of law.

In any outsourcing, there are four stakeholders as per the CLRA. These include the Government, the primary or principal employer, the contractor, and the contract labours. As per the CLRA Act section 7, the primary employer needs to have a registration certificate.

The contractor who is supplying the contract employees to the principal employer needs to obtain a CLRA License as per Section 12 of the CLRA. In effect, the primary employer cannot engage contract employees in case they don't have a registration certificate.

They can also not engage in contract labour in case the contractor does not have a CLRA License. The Contract Labour Act or CLRA applies to you in case your organisation has ever employed 20 or more contract employees in the preceding year.

How vital is CLRA for the Principal employer?

The CLRA license applicability is to the contractor, and the CLRA registration applicability is for the principal employer. The CLRA act implies that it is unlawful to employ any contract labour in your organisation in the absence of the above two mandatory requirements. Hence it is essential for the principal employer to ensure that the contractor that they employ has fulfilled all the obligations under the CLRA license.

Violations of CLRA and penalties

Under the CLRA laws in India, a principal employer cannot legally employ a contract employee unless they have obtained a CLRA registration from the competent authority, i.e., the Government. The primary employer can be punished with imprisonment of up to 3 months. He can also be charged with a fine of Rs.1000/- or be punished with both, in case of a violation, under Section 23 of the Act.

What you must know as a Principal Employer

Irrespective of whether you have obtained registration under the CLRA or not, you must be fully aware of the liabilities that you carry as part of the CLRA act. The principal employer has to ensure that provision for employee's welfare is fully taken care of, including the availability of restrooms, canteens, physical safety, drinking water, first aid, etc. by the contractor.

In case the contractor does not, then it falls on the principal employer to make these available to the contract employees.

The Ministry is responsible for promoting the welfare, and social security of the labour force in organised and unorganised employment sectors and each organisation employing contract labours need to be careful and conscious of this law and ensure compliance.

Contract Labour (Regulation and Abolition Act), 1970: The Highlights

- Applies to all firms registered in India
- Applicable to all firms employing more than 20 employees, employed presently or in the past, on any day in the last year (12 months).
- Also applicable to a contractor employing more than 20 employees, employed presently or in the past, on any day in the last year (12 months).

- The Act does not apply if an establishment carries out work that is casual or intermittent in nature, not exceeding 120 days in the preceding 12 months.
- The establishment cannot be considered intermittent if work is (seasonal) and performed for more than sixty days in a year.

For Principal Employer and Contractor

Principal Employer	Contractor
Registration certificate of the establishment. Any changes in registration certificate to be intimated to the Registering Officer.	Copy of the contractor's licence or renewed licence.
Annual return (Form XXI)	Issuance of slips containing details of wage and attendance of employees, including employee identification cards.
Filing of return: completion of contract and commencement.	Ensure that service certificates (of employees) are provided.
Notices for actual wages, work hours, and wage rates, wage tenure, wage payment dates, unpaid (pending) wage payment dates, address of inspector with jurisdiction. Copy of notice must be sent to the inspector.	Half-yearly return to be sent to the licencing officer.
Preservation and the maintenance of the contractor's register. Every entry in the register made by the contractor for payment of wages must be verified.	Notices displaying wages, work hours, wage period, wage payment details, unpaid wage payment details, name and address of inspector.
Supervision of contractor responsibilities to prevent enjoining of liabilities.	Copy of the aforementioned notice to be sent to the inspector.
Ensure that the provisions for employee welfare: canteen facilities, drinking water, first aid, urinals, latrines and bathrooms (separate for men and women), restrooms are dispended by the contractor.	Provide canteen facilities, drinking water, first aid, urinals, latrines and bathrooms (separate for men and women), restrooms for employees.

CLRA FAQs

1. For services and jobs that are outsourced, is CLRA applicable?

For all services and jobs that are outsourced and executed in premises other than those belonging to the principal employer, CLRA is not applicable. Only those carried out in the principal employer's premises will be bound by CLRA.

2. For the same job, can contract workers and permanent employees work side-by-side?

Yes. They can work side-by-side unless prohibited by the government for special cases.

3. For injury, illness, disability, death etc. of a contract employee what is the liability of the contract principal employer?

For any of the cases, the principal employer is fully responsible. However, if the employee is covered under ESI with the contractor, the principal employer is not liable.

4. In the case of sub-contracting, what is the liability of the principal employer?

As per the CLRA provisions, the liability of the principal employer is the same as that of the contractor as sub-contracting is covered in the definition of the contractor.

5. Should the principal employer be a party if contract labour is terminated through settlement?

In case where the contractor and workmen have a mutual agreement for a settlement, the principal employer should not be a party.

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