### State Legislative Brief

**ASSAM, GOA, GUJARAT, HARYANA, HIMACHAL, KARNATAKA, MP, ODISHA, PUNJAB, RAJASTHAN, UTTARAKHAND, UP**

#### Ordinances and Notifications providing relaxation of labour laws

**Key Features**

- States have increased the maximum daily work hours for factories to 10-12 hours.
- Madhya Pradesh has exempted certain factories from provisions on industrial dispute resolution, welfare facilities and working conditions for periods ranging from 3 months to 1,000 days.
- The Uttar Pradesh Cabinet has approved an Ordinance which seeks to exempt factories and manufacturing establishments from all labour laws for three years, subject to certain conditions.

**Issues to Consider**

- The new daily work hour limit is higher than a 1919 ILO Convention, which caps it at 9 hours.
- Temporary exemptions may not lead to investments unless other constraints are also addressed. Further, factories have been exempted from various provisions ensuring basic health, safety, and working conditions.
- The Uttar Pradesh draft Ordinance does not specify which labour laws will cease to apply for the next three years.

Currently, there are over 100 state laws and 40 central laws regulating various aspects of labour such as resolution of industrial disputes, working conditions, social security, and wages.¹ To improve ease of compliance and ensure uniformity in labour laws, the Second National Commission on Labour (2002) recommended that existing labour laws should be consolidated.² Over the last couple of years, the central government has introduced four labour Codes in Parliament to replace the existing central labour laws related to wages, occupational safety and health, industrial relations, and social security. Of these, Parliament has passed the Code on Wages, 2019.

However, labour falls under the Concurrent List of the Constitution.³ Therefore, both Parliament and state legislatures may make laws regulating labour. States regulate labour by passing their own laws, or amending central labour laws to be applicable to the state. In cases where the central and state laws are incompatible, the central law will prevail. However, a state law that is incompatible with central laws may prevail in that state if it has received the assent of the President.⁴

To contain the spread of COVID-19 in India, the central government imposed a nation-wide lockdown on March 24, 2020.⁵ Under the lockdown, most economic activities, other than those classified as essential activities, were suspended. States have noted that this loss of economic activity has resulted in a loss of income for many individuals and businesses.⁶⁷ To allow economic activities to restart and attract new investment, some states have provided relaxations from existing labour laws and regulations to certain establishments. This note analyses the key issues with regard to the relaxation of these labour laws.

### Key Changes and Issues for Consideration

Various states have passed relaxations to labour laws in an attempt to attract investment and promote economic growth. This has been done primarily in two ways: (i) by increasing the work hour limits for factories, and (ii) by exempting establishments from certain labour laws (in case of Madhya Pradesh and Uttar Pradesh). Madhya Pradesh has provided exemption to factories from laws regulating certain aspects such as industrial dispute resolution, health and safety facilities, and inspections. Uttar Pradesh has proposed to exempt factories from all labour laws, subject to certain conditions. We analyse key issues with the changes being brought by the states.
Changes in work hours

As the lockdown to contain the spread of COVID-19 is being relaxed, factories have been allowed to function. However, some state governments noted that the lockdown has led to a shortage of workers. In this context, Assam, Goa, Gujarat, Haryana, Himachal Pradesh, Madhya Pradesh, Odisha, Punjab, Rajasthan, and Uttar Pradesh governments issued notifications to increase the maximum daily work hours for workers in their state to 12 hours. Karnataka and Uttarakhand increased maximum daily work hours to 10 hours and 11 hours, respectively (12 hours in case of continuous process industries in Uttarakhand). Karnataka, Rajasthan, and Uttar Pradesh subsequently withdrew their notifications. Table 1 shows the state-wise changes made in maximum daily and weekly work hours for factories.

The Factories Act, 1948 allows state governments to exempt factories from its provisions under certain conditions. States have used two different provisions of the Factories Act, 1948 to change work hours. These provisions are: (i) three-month exemption in case of a public emergency (Section 5), and (ii) exemption to allow factories to deal with an exceptional amount of work (Section 65). Gujarat, Himachal Pradesh, Madhya Pradesh, Odisha, and Uttarakhand have used the ‘public emergency’ exemption to increase work hours. A public emergency is defined as a grave emergency where there is a threat to national security by war, external aggression, or internal disturbance. It is unclear if the COVID-19 pandemic or the lockdown can be considered a public emergency under this definition. Karnataka and Uttar Pradesh had also used the public emergency exemption to increase work hours, but withdrew their notifications after these were challenged in High Courts.

Assam, Goa, Haryana, and Punjab have changed work hours under the exemption allowed in case of exceptional amount of work. The 1948 Act specifies the following conditions for such an exemption: (i) work hours cannot exceed 60 hours in a week, (ii) work hours cannot exceed 12 hours in a day and the spread of work cannot exceed 13 hours (including intervals of rest), and (iii) workers cannot work overtime for more than seven days at a stretch and for more than 75 hours in a quarter.

Note that India has ratified the Hours of Work (Industry) Convention, 1919 adopted by the General Conference of the International Labour Organisation. The Convention specifies that maximum work hours should not exceed nine hours in a day and 48 hours in a week for industrial undertakings. In cases where processes need to be carried out continuously, the maximum weekly work hours should not exceed 56 hours.

Table 1: State-wise changes to maximum daily and weekly work hours

<table>
<thead>
<tr>
<th>State</th>
<th>Establishments</th>
<th>Maximum weekly work hours</th>
<th>Maximum daily work hours</th>
<th>Overtime pay</th>
<th>Time period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam(^{10})</td>
<td>All factories</td>
<td>Not specified</td>
<td>Increased to 12 hours</td>
<td>Required</td>
<td>Three months</td>
</tr>
<tr>
<td>Goa(^{11})</td>
<td>All factories</td>
<td>Increased from 48 hours to 60 hours</td>
<td>Increased to 12 hours</td>
<td>Required</td>
<td>Approximately three months</td>
</tr>
<tr>
<td>Gujarat(^{12})</td>
<td>All factories</td>
<td>Increased to 72 hours</td>
<td>Increased to 12 hours</td>
<td>Not required</td>
<td>Three months</td>
</tr>
<tr>
<td>Haryana(^{13})</td>
<td>All factories</td>
<td>Not specified</td>
<td>Increased to 12 hours</td>
<td>Required</td>
<td>Two months</td>
</tr>
<tr>
<td>Himachal Pradesh(^{14})</td>
<td>All factories</td>
<td>Increased to 72 hours</td>
<td>Increased to 12 hours</td>
<td>Required</td>
<td>Three months</td>
</tr>
<tr>
<td>Madhya Pradesh(^{15})</td>
<td>All factories</td>
<td>Increased to 72 hours</td>
<td>Increased to 12 hours</td>
<td>Required</td>
<td>Three months</td>
</tr>
<tr>
<td>Odisha(^{16})</td>
<td>All factories</td>
<td>Increased from 48 hours to 72 hours</td>
<td>Increased from 8 hours to 12 hours</td>
<td>Required</td>
<td>Three months</td>
</tr>
<tr>
<td>Punjab(^{17})</td>
<td>All factories</td>
<td>Not specified</td>
<td>Increased from 9 hours to 12 hours</td>
<td>Required</td>
<td>Three months</td>
</tr>
<tr>
<td>Uttarakhand(^{18,19})</td>
<td>All factories and continuous process industries allowed to work by the state government</td>
<td>Maximum 6 days of work in a week</td>
<td>Increased from 8 hours to 11 hours (12 hours in case of continuous process industries)</td>
<td>Required</td>
<td>Three months</td>
</tr>
<tr>
<td>Karnataka(^{20})</td>
<td>All factories</td>
<td>Increased to 60 hours</td>
<td>Increased to 10 hours</td>
<td>Required</td>
<td>Withdrawn(^{21})</td>
</tr>
<tr>
<td>Rajasthan(^{21})</td>
<td>All factories</td>
<td>Increased from 48 hours to 72 hours</td>
<td>Increased from 8 hours to 12 hours</td>
<td>Required</td>
<td>Withdrawn(^{22})</td>
</tr>
<tr>
<td>Uttar Pradesh(^{23})</td>
<td>All factories</td>
<td>Increased to 72 hours</td>
<td>Increased to 12 hours</td>
<td>Not required</td>
<td>Withdrawn(^{24})</td>
</tr>
</tbody>
</table>

Note: *withdrawn. Payment for overtime in Gujarat will be done at a proportionate rate, not at double rate as per the Factories Act, 1948.
Sources: Respective state notifications; PRS.
Wages for overtime work

The Factories Act, 1948 requires the employer to pay overtime wages to workers employed for more than 9 hours in any day or for more than 48 hours in any week (Section 54 and 51). Such overtime pay must be double the ordinary wages. For example, if a worker earns a wage of Rs 30 per hour for working up to 9 hours in a day, then he must be paid his wage at Rs 60 per hour for any overtime work done in that day beyond 9 hours. The Gujarat government has increased the permissible work hours in all factories from 9 hours per day to 12 hours per day, and from 48 hours per week to 72 hours per week, through a notification. For any work done beyond 9 hours in a day, or 48 hours in a week, the notification requires employers to pay wages proportionately, i.e. at the same rate as the ordinary wage rate, which is in contravention of the Factories Act, 1948.

Madhya Pradesh

The Madhya Pradesh government has exempted establishments from certain labour laws as a means to attract investment and promote economic growth.25 Table 2 shows the laws covered under these exemptions.

Table 2: Laws exempted for various establishments in Madhya Pradesh

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Law exempted/amended</th>
<th>Change</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madhya Pradesh Labour Laws (Amendment) Ordinance, 202026</td>
<td>Madhya Pradesh Industrial Employment (Standing Orders) Act, 1961.</td>
<td>The 1961 Act regulates the conditions of employment of workers and applies to establishments with 50 or more workers. The Ordinance increases the threshold to 100 or more workers.</td>
<td>The Act will no longer apply to establishments with 50-99 workers that were previously regulated.</td>
</tr>
<tr>
<td></td>
<td>Madhya Pradesh Shram Kalyan Nidhi Adhiniyam, 1982.</td>
<td>The 1982 Act provides for a Fund that will finance welfare of labour. The Ordinance allows the state government to exempt any establishment or class of establishments from the Act through a notification.</td>
<td>Exempted establishments will not be covered by provisions of the Act such as payment into the Fund by employers at the rate of three rupees per worker every six months.</td>
</tr>
<tr>
<td>Notification under Section 36B of the Industrial Disputes Act, 1947</td>
<td>Provisions of the Industrial Disputes Act, 1947.</td>
<td>All new factories that start production within 1,000 days will be exempted from all provisions of the Act except those pertaining to lay-off and retrenchment of workers, closing down of an undertaking, and restarting of undertakings. The exemptions will be in place for 1,000 days from the date of notification.</td>
<td>New factories will not have to comply with provisions of the Act pertaining to issues such as industrial dispute resolution, collective bargaining, strikes and lockouts, and unfair labour practices.</td>
</tr>
<tr>
<td>Notification under Section 1 of the Madhya Pradesh Industrial Relations Act, 1960</td>
<td>Madhya Pradesh Industrial Relations Act, 1960.</td>
<td>The Act regulates industrial dispute resolution and employee-employer relations. The provisions of the Act will not apply to certain industries such as textiles, iron and steel, sugar, and cement.</td>
<td>Establishments operating in these industries will not be required to comply with provisions of the Act, such as recognition of trade unions, and industrial dispute resolution.</td>
</tr>
<tr>
<td>Notification under Section 5 of the Factories Act, 1948.</td>
<td>Provisions of Factories Act, 1948.</td>
<td>Factories will be exempted from all provisions of the Factories Act, 1948 except for certain provisions such as those pertaining to licensing and registration, inspections, safety measures regarding use of machinery, overtime wages, and prohibition of child labour.</td>
<td>Factories will not have to comply with provisions of the Factories Act, 1948 pertaining to facilities such as washrooms, crèches, drinking water, lighting, and ventilation, disposal of wastes, and dangerous operations.</td>
</tr>
<tr>
<td>Notification under Section 8 and Section 112 of the Factories Act, 1948.</td>
<td>Provisions of the Factories Act, 1948.</td>
<td>Non-hazardous factories with up to 50 workers may carry out third-party certification, authorised by the Labour Commissioner. The report may be submitted to the relevant inspector in lieu of the routine inspection process.</td>
<td>The government appointed inspector will no longer carry out inspections in non-hazardous factories with up to 50 workers.</td>
</tr>
</tbody>
</table>

Sources: Respective state and central level Acts; Various notifications, Labour Department, Government of Madhya Pradesh, https://prsindia.org/files/covid19/notifications/4989_MP_exceptions%20under%20labour%20laws_May05.pdf; PRS.
Rationale for Exemptions

Madhya Pradesh has exempted various establishments from provisions of central and state level labour laws as specified in Table 2 above. The aim of providing these exemptions is to facilitate greater investment in the state by new companies and boost economic activity by existing companies. This raises two issues discussed below.

Temporary exemption

Madhya Pradesh has provided temporary exemptions to establishments from certain labour laws for varying amounts of time. For example, new factories will be exempted from all provisions of the Industrial Disputes Act, 1947, except those pertaining to lay-off and retrenchment of workers, closing down of an undertaking, and restarting of undertakings, for 1,000 days. Further, factories will be exempted from provisions of the Factories Act, 1948 such as those related to providing for crèches, washrooms, disposal of wastes, and dangerous operations for a period of three months.

Since the aim of providing exemptions to new companies is to attract investment, a temporary exemption from labour laws may not serve the purpose. Considering the duration of time required to set up a factory and start operations, the benefit of these exemptions may be available for a limited period of time only.

Labour law exemptions may not attract investment on their own

The Second National Commission on Labour (2002) observed that the existing labour legislation in India is complex, with out-dated provisions and inconsistent definitions. Further, the 2018-19 Economic Survey identified labour regulations as one of the reasons for inadequate growth of businesses, as these regulations exempt smaller firms from compliance, thus incentivising them to remain small. However, the National Commission on Labour (2002) noted that labour laws are not the only reason for the inability to attract foreign investment in comparison to certain other countries. Other factors affecting the efficiency of industry include efficient and reliable infrastructure such as transport and electricity, access to requisite and timely flows of credit, access to materials, constantly improving and competitive technology, and government policies.

Exemptions may be in conflict with laws proposed by the central government

Since labour is a concurrent subject, the central government can also pass laws regulating it. In case any central law is enacted in the future which is incompatible with the exemptions provided by states, the central law will prevail and the exemptions will be void. Note that the central government has introduced three labour Codes in Parliament to replace the existing central labour laws related to occupational safety and health, industrial relations, and social security. Further, Parliament passed the Code on Wages, 2019 to replace existing labour laws related to payment of wages, which will repeal the existing laws once notified.

Also, the health and safety law introduced in Parliament subsumes the Factories Act, 1948 and the industrial relations law subsumes the Industrial Disputes Act, 1947. Provisions of both these Acts have been exempted by Madhya Pradesh. Therefore, the exemptions could be reversed with the passage of the central level laws.

Factories are exempted from provisions regarding health, safety, and working conditions

Factories are exempted from certain provisions of the Factories Act, 1948 ensuring provision of basic health, safety, and working conditions for workers. For example, factories are no longer required to provide for crèches, washrooms, drinking water, lighting, ventilation, disposal of wastes, and dangerous operations. In addition, factories have been exempted from penalties prescribed for various offences under the Act, including: (i) not taking remedial action in case of imminent danger from hazardous processes, (ii) not disclosing information on dangers involved in hazardous processes, (iii) not appointing qualified workers for handling hazardous substances, and (iv) not providing necessary facilities for protecting workers part of such work.

The Second National Commission on Labour (2002) recommended that all establishments should be covered by laws relating to health and safety of workers. Further, the Supreme Court held in Consumer Education and Research Centre vs Union of India (1995) that the right to health and medical care to protect one’s health and vigour is a fundamental right of a worker under Article 21 of the Constitution.

Exemptions for regulation of industrial disputes for certain establishments

The Madhya Pradesh government has exempted all new factories from certain provisions of the Industrial Disputes Act, 1947. Provisions related to lay-off and retrenchment of workers, and closure of establishments continue to apply. However, the other provisions such as those related to industrial dispute resolution, collective bargaining, strikes and lockouts, and trade unions, are not applicable for new factories. These exemptions will apply for a period of 1,000 days (33 months) from the date of notification (May 5, 2020). Further, Madhya Pradesh has also permanently exempted establishments in certain industries such as textiles, iron and steel,
sugar, and chemicals from all provisions of the Madhya Pradesh Industrial Relations Act, 1960.\textsuperscript{30} The 1960 Act regulates the settlement of industrial disputes, and employee-employer relations.\textsuperscript{31} This raises two issues.

**No mechanism for industrial dispute resolution for certain establishments**

The Industrial Disputes Act, 1947 allows the state government to exempt certain establishments from the provisions of the Act if an adequate mechanism is in place for the investigation and settlement of industrial disputes.\textsuperscript{32} However, after this notification, new factories in certain industries such as textiles, iron and steel, sugar, and chemicals will not be regulated by any such mechanism. Therefore, the provision under the 1947 Act allowing the state government to exempt certain establishments from its provisions may no longer be applicable.

**Right to collective bargaining**

The Industrial Disputes Act, 1947 provides a collective bargaining mechanism to the employers and workers for settling their disputes. It also classifies any interference with the workers’ right to collective bargaining as an unfair labour practice. Such a mechanism may not be available in case of the new factories in Madhya Pradesh due to exemption from the Industrial Disputes Act, 1947. Note that the International Labour Organisation recognised right to collective bargaining as a fundamental right under its 1998 Declaration on Fundamental Principles and Rights at Work.\textsuperscript{33} This requires India to give effect to the principle of right to collective bargaining, even though it has not ratified the Right to Organise and Collective Bargaining Convention, 1949.\textsuperscript{34} Therefore, the Second National Commission on Labour (2002) noted that the right to collective bargaining is inalienable and must accrue to every worker under any system of labour laws and labour policy.\textsuperscript{2}

**Uttar Pradesh**

The Uttar Pradesh Cabinet has approved the Uttar Pradesh Temporary Exemption from Certain Labour Laws Ordinance, 2020.\textsuperscript{6} As the Ordinance seeks to provide exemption from several central Acts, it would require the President’s assent. According to a draft of the Ordinance, it seeks to exempt all factories and establishments engaged in manufacturing processes from all labour laws for a period of three years, subject to the fulfilment of certain conditions.\textsuperscript{35} These conditions include:

- **Wages:** Workers cannot be paid below the minimum wage prescribed by the state government. They must be paid within the time limit prescribed in the Payment of Wages Act, 1936. The Act requires wages to be paid within ten days of the wage period (seven days if the establishment has less than 1,000 workers).
- **Work hours:** Workers cannot be required to work for more than eleven hours a day and the spread of work cannot be more than 12 hours a day.
- **Women and children:** Provisions of labour laws relating to the employment of women and children will continue to apply.
- **Safety and security:** Safety and security related provisions of the Factories Act, 1948 and the Building and Other Construction Workers Act, 1996 will continue to apply. These provisions regulate the usage of dangerous machinery, inspections, and maintenance of factories, amongst others.
- **Compensation:** In the case of accidents leading to death or disability in the course of employment, workers will be compensated as per the Employees Compensation Act, 1923.
- **Bonded labour:** The Bonded Labour System (Abolition) Act, 1976 will continue to remain in force. It provides for the abolition of the bonded labour system. Bonded labour refers to the system of forced labour where a debtor enters into an agreement with the creditor under certain conditions such as to repay his or a family member’s debt, due to his caste or community, or a social obligation.

Key issues based on these provisions are discussed below.

**Definition of “labour laws”**

The Ordinance exempts all factories and manufacturing establishments from all labour laws for a period of three years, subject to the fulfilment of certain conditions summarised above. Since the Ordinance does not define the term “labour laws”, it is unclear which laws will continue to apply for the specified establishments and which laws will come under exemptions. As per the existing regulations, there are 40 central labour laws and eight state labour laws in force in Uttar Pradesh. These laws regulate various aspects related to labour such as wages, social security, occupational safety and health, and industrial disputes. Also, there are specific labour laws for classes such as contract labourers, migrant workers, unorganised workers, and children. In addition, certain workplaces such as mines, construction sites, plantations, and sugar mills are also required to comply with industry-specific laws.
Provisions for safety and security

The Ordinance specifies that the provisions of the Factories Act, 1948 relating to safety and security of workers will remain applicable. However, it does not specify the specific sections or Chapters of the Act that will remain applicable. Therefore, it is unclear if such provisions will also include health and work hour related provisions under the Act which impact the safety of workers, such as limits on working hours, mandatory intervals of rest, effective disposal of wastes and effluents, adequate ventilation, and reasonable temperature.

Labour law provisions for women and children

The Ordinance specifies that provisions of various labour laws relating to the employment of children and women will remain applicable. However, it does not list out the Acts or specific provisions in different Acts. It is unclear if establishments employing women or children are required to comply with the provisions or laws only specific to women and children, or with all labour laws regulating their employment such as the Factories Act, 1948 and the Unorganized Workers’ Social Security Act, 2008.

Under the existing mechanism, there are certain laws which are specific to women and children such as the Maternity Benefit Act, 1961, and the Child and Adolescent Labour (Prohibition and Regulation) Act, 1986. In addition, other labour laws have specific provisions regulating their terms of employment. For example, the Factories Act, 1948 provides for certain restrictions to work hours for women and children. It also requires factories to provide crèches in certain cases and prohibits the employment of children below the age of 14 years.

\[3\] Seventh Schedule, List III, Constitution of India.
\[4\] Article 254, Constitution of India.

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