



**CONTRACT LABOUR  
(R & A) ACT**

# STATUTES & COMPLIANCE

- The Relationship between the Contractor and Principal covered under  
The Indian Contract Act, 1872
- Performance of Reciprocal Promises
- Indemnity and Guarantee
- Jurisdiction
- Arbitration

# THE COMPLIANCE

## CLRA

- **Applicable to Job contract /Labour contract if work is carried out in the principal employer's premises.**
- **Not applicable for AMCs / Supply of end product or service directly**

# **REGISTRATION OF ESTABLISHMENT**

- ◆ **EVERY PRINCIPAL EMPLOYER SHALL MAKE AN APPLICATION IN FORM – I (TRIPLICATE) ALONG WITH DD OF PRESCRIBED FEE.**
- ◆ **OBTAIN CERTIFICATE OF REGISTRATION**
- ◆ **AMENDMENT OF CERTIFICATE OF REGISTRATION WHEN THERE IS CHANGE IN PARTICULARS.**

# LICENSE

- ◆ SUPPLY OF 5 OR MORE CONTRACT LABOUR
- ◆ CONTRACTOR TO SUBMIT APPLICATION IN FORM IV (TRIPLICATE)
- ◆ FORM V ISSUED BY THE PRINCIPAL EMPLOYER TO BE ENCLOSED

# LICENSE

- ◆ LICENSE FEE & SECURITY DEPOSIT DEMAND DRAFT TO BE ENCLOSED
- ◆ LICENSE ISSUED FOR ONE YEAR
- ◆ APPLICATION FOR RENEWAL TO BE MADE IN FORM VII 30 DAYS BEFORE THE EXPIRY OF LICENSE.

# **WELFARE & HEALTH OF CONTRACT LABOUR**

- ◆ **CANTEENS – 100 WORKMEN AND WORK LIKELY TO BE CONTINUED FOR 6 OR MORE MONTHS (ESTABLISH WITHIN 60 DAYS) FOOD TO BE SERVED ON ‘NO-PROFIT NO-LOSS’ BASIS**

# **REGISTERS AND RECORDS**

- ◆ **PRINCIPAL EMPLOYER TO MAINTAIN FORM XII – REGISTER OF CONTRACTORS**
- ◆ **CONTRACTOR TO MAINTAIN FORM XIII – REGISTER OF PERSONS EMPLOYED**
- ◆ **CONTRACTOR TO ISSUE EMPLOYMENT CARD IN FORM XIV**



# **REGISTERS AND RECORDS**

- ◆ **CONTRACTOR TO MAINTAIN – MUSTER ROLL FORM XVI, REGISTER OF WAGES FORM XVII OR COMBINED REGISTER FORM XVIII.**
- ◆ **REGISTER OF DEDUCTIONS – FORM XX, REGISTER OF FINES – FORM XXI, REGISTER OF ADVANCES – FORM XXII**

# REGISTERS AND RECORDS

- ◆ REGISTER OF OVER TIME – FORM XXIII
- ◆ ISSUE WAGE SLIP IN FORM XIX ONE DAY BEFORE DISBURSEMENT OF WAGES.

# DUPLICATION OF REGISTERS

- When the registers are maintained by the Contractor under Contract Labour Act the registers required to be maintained under other labour laws are deemed to have been maintained.
- The Contractor can also maintain the Registers / Records in any computerized format with the previous approval of the Commissioner of Labour.

# NOTICES

- ◆ CONTRACTOR TO DISPLAY ABSTRACT OF ACT AND RULES
- ◆ RATES OF WAGES, HOURS OF WORK,
- ◆ WAGE PERIOD, DATES OF PAYMENT OF WAGES,
- ◆ NAMES AND ADDRESSES OF THE INSPECTOR

# NOTICES

- ◆ DATE OF PAYMENT OF UNPAID WAGES
- ◆ COPY TO BE MARKED TO THE INSPECTOR AND CHANGES TO BE COMMUNICATED.
- ◆ RECORDS TO BE PRESERVED FOR 3 YEARS FROM THE DATE OF LAST ENTRY

# RETURNS

- ◆ CONTRACTOR TO SUBMIT HALF-YEARLY RETURN ON OR BEFORE 30<sup>TH</sup> JULY AND 30<sup>TH</sup> JAN IN FORM XXIV
- ◆ PRINCIPAL EMPLOYER TO SUBMIT ANNUAL RETURN ON OR BEFORE 15<sup>TH</sup> FEB IN FORM XXV

# **PAYMENT OF WAGES**

- ◆ **CONTRACTOR IS RESPONSIBLE TO MAKE PAYMENT OF WAGES THROUGH BANK OR CHEQUE**
- ◆ **FOR NONPAYMENT OR SHORT PAYMENT BY CONTRACTOR – PRINCIPAL EMPLOYER IS LIABLE**

# CLRA PENALTY

| Offence  |  |
|--|--|
| Contravention of provisions regarding employment of contract labour.   | Punishable with imprisonment up to 3 months or a fine up to Rs. 1000 or both   |
| In case of continuing contravention  | An additional fine up to Rs. 100 for every day                                 |
| <ul style="list-style-type: none"><li>•Obstructs an Inspector, entry, inspection.</li><li>•Refuses to produce on demand any register or documents kept in pursuance of the act</li></ul> | Punishable with imprisonment up to 3 months or a fine of up to Rs. 500 or both |
| Contravention of any other provisions of the act or rules for which elsewhere penalty is not provided  | Punishable with imprisonment up to 3 months or a fine up to Rs. 1000 or both.  |



# **LIMITATION**

- ◆ **3 MONTHS FROM THE KNOWLEDGE OF THE INSPECTOR**
- ◆ **6 MONTHS FOR DISOBEYING THE WRITTEN ORDER OF THE INSPECTOR.**

# **CONTRACTOR & SUB- CONTRACTOR**

- ◆ **THE CONTRACTORS ARE DOING A PART OF THE WORK AND A PART OF THE WORK DONE BY THE SUB-CONTRACTORS. THE CONTRACTORS ARE LICENSED THE SUB-CONTRACTORS DID NOT HOLD ANY LICENSE, IT IS HELD THAT NOT ONLY A CONTRACTOR BUT ALSO A SUB-CONTRACTOR WHO COMES WITHIN**

# CONTRACTOR & SUB- CONTRACTOR

- ◆ THE DEFINITION OF THE TERM ‘CONTRACTOR’ IS BOUND TO OBTAIN A LICENSE U/S. 12(1) FAILING WHICH THEY WILL EXPOSE THEMSELVES TO CRIMINAL ACTION U/S. 23 OR SEC. 24 FOR NOT CARRYING OUT THEIR OBLIGATION U/S. 16 TO 21 READ WITH RULES 41 TO 62 OF THE ACT.

*LABOURERS SALAL HYDRO PROJECT V. STATE OF J&K, 1984 AIR (SC) 177 (S.C.3J).*

# WAGES

- ◆ THE PRINCIPAL EMPLOYER IS STATUTORILY RESPONSIBLE FOR PAYMENT OF WAGES TO CONTRACT LABOURERS INCLUDING ARREARS, IN CASE, CONTRACTOR OMMITS DEFAULT WHICH HE CAN RECOVER FROM THE CONTRACTOR BY DEDUCTING FROM ANY AMOUNT PAYABLE TO HIM OR AS DEBT PAYABLE BY HIM.

*FOOD CORPORATION OF INDIA, CALCUTTA V. TULSI DAS BAURI, AIR (SC) 2446 : 1997 (5) SCC 51 (S.C.2J).*

# WAGES

- ◆ PRINCIPAL EMPLOYER SHOULD PAY TO CONTRACT LABOUR DIFFERENCE BETWEEN WAGES CONTRACTED AND WAGES ACTUALLY PAID BY THE CONTRACTOR AND RECOVER THE SAME FROM CONTRACTOR.

*HSCV. COMMISSIONER OF LABOUR, 1997 I LLJ  
SCC 599 (S.C.5J)*

# **WAGES INCLUDES – GRATUITY PAYABLE ON RETIREMENT OF WORKMAN**

- ◆ **THE GRATUITY PAYABLE UNDER THE ACT TO WORKMEN WHO WERE ENGAGED BY THE INDEPENDENT CONTRACTOR FOR UNLOADING FERTILIZER BAGS WAS HELD TO BE ‘WAGES’ AS IT FALLS WITHIN THE MEANING OF ‘ANY SUM’ PAYABLE ON TERMINATION ‘UNDER ANY LAW’ AS PER CLAUSE(D) OF SEC. 2(H) OF THE ACT**

contd,..

# **WAGES INCLUDES – GRATUITY PAYABLE ON RETIREMENT OF WORKMAN**

- ◆ AND SINCE THE CONTRACTOR DID NOT PAY THEM THE GRATUITY, THE PETITIONER WAS HELD TO BE RESPONSIBLE AS PRINCIPAL EMPLOYER TO PAY THE GRATUITY AND RECOVER IT FROM THE CONTRACTOR.

*M/S. MADRAS FERTILISERS LTD. V. CONTROLLING  
AUTHORITY UNDER THE PAYMENT OF GRATUITY  
ACT & ORS., 2003 1 LLJ 854 (MAD.HC)*

# COMPENSATION IN CASE OF INJURY OR DEATH

- ◆ THE PRINCIPAL EMPLOYER'S LIABILITY TO PAY COMPENSATION TO A WORKMAN OF THE CONTRACTOR IS COVERED BY SECTION 12 OF THE ACT TOGETHER WITH SEC. 3 OF THE ACT. THE PRINCIPAL EMPLOYER IS BOUND TO PAY COMPENSATION TO THE WORKMEN OF THE CONTRACTOR FOR INJURY OR DEATH.

contd, ..



# COMPENSATION IN CASE OF INJURY OR DEATH

- ◆ HOWEVER, THE WORK EXECUTED BY THE WORKMEN OF THE CONTRACTOR SHALL BE CONNECTED WITH THE TRADE OR BUSINESS OF THE PRINCIPAL EMPLOYER.

*NATIONAL INSURANCE COMPANY LTD. V. CHANDU MALANKARA RUBBER & PRODUCE CO. V. HAMED & ORS., 2000 II LLJ 630 (KAR.DB)*

# COMPENSATION IN CASE OF INJURY OR DEATH

- ◆ THE RIGHT OF THE WORKMAN TO GET COMPENSATION FROM THE PRINCIPAL EMPLOYER WILL NOT BE AFFECTED BY ANY AGREEMENT BETWEEN HIM AND THE CONTRACTOR TO THE CONTRARY.

*K.KOODALINGAM V. SUPT. ENGINEER & ORS., 1995 1 LLJ 334  
(KER.DB)*

*SARJERAO UNKAR JADHAV V. GURINDER SINGH & ANR., 1992 1 LLJ  
156 (BOM.HC)*

# BURDEN ON PRINCIPAL EMPLOYER

- ◆ WHEN A CONTRACT LABOUR DIES IN THE COURSE OF HIS EMPLOYMENT BY ELECTROCUTION THE PRINCIPAL EMPLOYER BECOMES RESPONSIBLE FOR PAYING COMPENSATION UNDER WORKMAN'S COMPENSATION ACT WHEN CONTRACTOR FAILS TO DO SO. HENCE IT IS HELD THAT THE PRINCIPAL EMPLOYER IS LIABLE FOR PAYING THE COMPENSATION.

*SUPERINTENDING ENGINEER, TIRUCHIRAPPALLI & ANR .V. C. JOTHI & ORS., 2008 III LLJ 471 (MAD.HC)*

# **MD OR TOP MANAGEMENT IS NOT LIABLE TO BE PROSECUTED**

- ◆ **FOR VIOLATION OF SEC. 23 & 24 OF CLRA ACT EMPLOYING 60 CONTRACT LABOURERS IN THE BANK BRANCH AT PATNA THE CMD IN THE HO IN MUMBAI CANNOT BE PROSECUTED FOR ACTIONS OF HIS BRANCH**

*ADITYA PURI V. STATE OF BIHAR, 2007 (113) FLR 993  
(PAT.HC)*

# **MD OR TOP MANAGEMENT IS NOT LIABLE TO BE PROSECUTED**

- ◆ **THE VICE CHAIRMAN AND MD WHO SITS AT MUMBAI AND ALSO ZONAL CONTROLLER OF SOUTH OF KOTAK MAHINDRA BANK LTD WERE CAME TO BE PROSECUTED FOR VIOLATION OF SEC. 7 AND 9 OF CLRA ACT R/W SEC. 23 AND 24 OF THE ACT. QUASHING THE CRIMINAL PROCEEDING THE HIGH COURT HELD**
- continued..*

# MD OR TOP MANAGEMENT IS NOT LIABLE TO BE PROSECUTED

- ◆ BOTH ACCUSED PERSONS ARE NOT PRINCIPAL EMPLOYERS WITHIN THE EXPRESSIONS OF SEC. 2(G)(IV) OF THE CLRA ACT AND THEY ARE NOT RESPONSIBLE FOR SUPERVISION AND CONTROL OF THE ESTABLISHMENT. HENCE CONTINUATION OF THE CHARGES IS ONLY AN ABUSE OF THE PROCESS OF LAW.

*UDAY KOTAK, VC & M D & S. VENKATESAN, ZONAL CONTROLLER-SOUTH, V. STATE MINISTRY OF LABOUR, GOVERNMENT OF INDIA, CHENNAI, 2005 II LLJ 92 (MAD.HC)*

# **MD OR TOP MANAGEMENT IS NOT LIABLE TO BE PROSECUTED**

- ◆ M D OF THE COMPANY CANNOT BE PROSECUTED U/S. 24 OF THE ACT FOR NOT SUBMITTING HALF YEARLY RETURN IN FORM NO. XXIV IN AS MUCH AS THE MD SITTING AT A DISTANT PLACE CANNOT EXERCISE ANY CONTROL OR SUPERVISION OVER THE CONTRACT WORK OF THE COMPANY.

*NIRMAL BOGILAL V. STATE OF JHARKHAND & ANR.,  
2008 LLR 271 (JHAR.HC)*

# **MD OR TOP MANAGEMENT IS NOT LIABLE TO BE PROSECUTED**

- ◆ **ONLY THOSE INCHARGE OF AND RESPONSIBLE FOR DAY TO DAY AFFAIRS AND NOT THOSE WHO ARE AWAY FROM THE PLACE OF OFFENCE ARE LIABLE**

**(JHAR.HC)**



# REGISTRATION & LICENSE

- ◆ NOT OBTAINING REGISTRATION U/S. 7 AND LICENSE U/S.12 BUT PAYMENT MADE OF CONTRACTOR BY CHEQUE AND WORK ORDER ISSUED TO CONTRACTOR BEING POSITIVE EVIDENCE OF EMPLOYING CONTRACT LABOUR WILL NOT MAKE THE CONTRACT WORKMAN, THE EMPLOYEES OF THE COMPANY.

*WORKMEN V. CENTRAL GOVT IND TRI, CAL, 2004 IV LLN 252  
(CAL.HC)*

# REGISTRATION & LICENSE

- ◆ THE CORPORATION WAS NOT HAVING CERTIFICATE OF REGISTRATION U/S. 7 AND THE LABOUR CONTRACTOR WAS NOT HAVING LICENSE U/S. 12. COURT HELD THAT BY THIS REASON ALONE THE CONTRACT WORKMEN CANNOT DEEMED TO HAVE BECOME THE DIRECT EMPLOYEES OF THE MANAGEMENT THE ONLY LIABILITY THAT IS ATTRACTED ON THE EMPLOYER IS CONFINED TO PENAL PROVISIONS OF SEC. 23 AND 25 OF THE ACT.

*FOOD CORPORATION OF INDIA V. PO, CENTRAL GOVT IND TRI-CUM-LABOUR COURT, CHANDIGARH & ORS., 2008 LLR 391 (P&H.HC)*

# REGISTRATION & LICENSE

- ◆ CONTRACT LABOUR CANNOT BECOME EMPLOYEES OF PRINCIPAL EMPLOYER MERELY BECAUSE CONTRACTOR OR EMPLOYER HAS NOT OBTAIN LICENSE OR REGISTRATION RESPECTIVELY.

*DINANANTH V. NATIONAL FERTILIZERS LTD., 1992 I LLN 53 (SC)*

# RETRENCHMENT

- ◆ WHEN THE CONTRACT LABOUR WAS A TEMPORARY EMPLOYEE WORKING ON DAILY WAGES AND EMPLOYED AS PER NEED OF WORK AND NOT APPOINTED IN ACCORDANCE WITH THE RULES, HIS DISENGAGEMENT FROM SERVICE CANNOT BE CONSTRUED TO BE RETRENCHMENT UNDER INDUSTRIAL DISPUTES ACT, 1947.

*G. AGAMAIAH V. DIRECTOR, NATIONAL REMOTE SENSING AGENCY, HYD, 2001 II LLN 666 (AP.HC DB)*

# APPLICABILITY OF LABOUR LAWS TO CONTRACT LABOUR

- ◆ The Employees' PF & Misc. Act, 1952
- ◆ The ESI Act, 1948
- ◆ The Industrial Disputes Act, 1947
- ◆ The Minimum Wages Act, 1948
- ◆ The Payment of Wages Act, 1948
- ◆ The Payment of Gratuity Act, 1972
- ◆ The Employee's Compensation Act, 1923