

Maharashtra Shops and Establishments Act 2017: Keeping the lights on

Hiring from the beneficial sectors is also likely to rise over time

Arindam Majumder November 05, 2017 Last Updated at 23:24 IST



Soon after the Union Cabinet cleared the model Shops and Establishments Act in June 2016, Finance Minister Arun Jaitley noted in a media briefing: “The implementation of the law will depend on the states. The Bill will now be sent to the states, which have the option of adopting it or making modifications. It is a suggestive law for the states.” The model law proposed measures and regulations for keeping shopping establishments open round the clock all through the year.

Having faced stiff opposition from trade unions to earlier

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proposed labour reforms, this was a politically prudent move to make.

In September this year, Maharashtra has taken the first step, notifying the Maharashtra Shops and Establishments (Regulation of Employment and Conditions of Service) Act, 2017. Even a non-BJP state like the Left Democratic Front-ruled Kerala has set the ball rolling to revamp the Kerala Shops and Establishment Act. Given competition among states to woo investment from businesses, other states are expected to take the cue, say experts.

Once enforced, the new regulations are likely to boost F&B, entertainment and retail markets in cities, as large malls, high-street establishments and restaurants will see a gradual increase in footfalls. These are also likely to encourage the opening of rooftop restaurants in five-star hotels.

Additionally, the proposed Act tries to become more business-friendly by increasing business hours for any establishment that employs 10 or more workers. The law allows for more overtime hours and streamlining operations, eliminating ambiguity over the definition of an establishment. Further, it has tried to eliminate the “inspector raj” by

changing the role of labour inspectors to that of facilitator whose job will now be to advise employers and workers with suggestions to comply with the law.

Property consultant JLL, which studies the pattern of commercial rents across the country, noted that the Act would benefit primarily the hospitality industry, leading to higher occupancy in malls. “As a general rule of thumb, value formats in Indian retail estimate footfalls between 6 pm and 10 pm as double that seen from 10 am to 6 pm. This applies to potential revenue as well. Generally, weekends witness twice the footfalls seen during weekdays,” said Ashutosh Limaye, national director, research, at JLL India.

With consumer behaviour generally following the pattern of shopping, entertainment, and dinner (in that order), the most likely beneficiaries of late night permissions would be the food and entertainment category, he added.

Hiring from the beneficial sectors is also likely to rise over time. Rituparna Chakraborty, executive vice-president at TeamLease Services, described the proposed Act a win-win for employers and employees. “For employers, procedures are becoming streamlined and simpler while many aspects of the Act puts emphasis on issues like women’s safety and security and work hours of employees,” she added.

According to TeamLease’s employment outlook report for the second half of 2017-18, establishments like business process outsourcing and knowledge process outsourcing sector will gain from this law and experience around 15 per cent growth in jobs.

However, the new Act will throw up some challenges and needs to tighten compliance. Under the currently implemented Bombay Shops and Establishment Act, 1948, employees are entitled to accumulate earned leave up to a maximum of 42 days. Under the new law, it is extended to 45 days, besides 8 days of casual leave with wages every calendar year.

“Employers need to restructure their leave patterns and also become strict about their compliance as the penal provision for non-adherence to the law has also been increased up to Rs 5 lakh from Rs 5,000 at present,” said Ajay Solanki, senior member (employment laws) at Nisith Desai Associates. Experts noted that the full benefit of the Act could only accrue if state governments across the political spectrum adopted it. “Currently, establishments face difficulties due to separate laws in states,” Solanki said.

Labour ministry officials are hopeful that the spirit of competition will force states to adopt the law as they vie for more investments from the private sector.