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India

State of Rajasthan Takes Initial Step Towards Labor Reforms

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Amendments to federal labor laws, including the Industrial Disputes Act, 1947 (IDA), Factories Act, 1948 (FA) and the Contract Labour (Regulation and Abolition) Act, 1970 (CLRA), have been approved by the Cabinet Ministers in the State of Rajasthan.¹

The proposed amendments include proposals to:

- a. allow industrial establishments employing up to 300 workmen,² to retrench (terminate) workmen without seeking prior permission of the government. Currently, under the IDA, an industrial establishment employing at least 100 workmen is required to, inter alia, seek prior permission of the government before retrenching a workman.
- b. raise the threshold of number of workmen engaged as contract labor by an employer for the purpose of applicability of the CLRA from 20 to 50. Currently, under the CLRA, an employer must obtain prior approval of the labor department if it wishes to engage a minimum of 20 contract laborers.
- c. raise the threshold of number of employees for the purpose of applicability of the FA from 10 to 20 (in factories where work is being carried out with aid of power) and from 20 to 40 (in factories where work is being carried out without the aid of power),
- d. raise minimum membership from 15% to at least 30% of the total workforce in order for a labor union to be recognized.
- e. introduce a three-year statute of limitations for raising industrial disputes (under the IDA).

In terms of next steps, the state government will be required to obtain the approval of the State Assembly followed by the President's assent. If the necessary approvals have been obtained, these amendments will be in effect for establishments in the State of Rajasthan.³

Based on the follow up news articles,⁴ some of the central trade unions are likely to oppose the proposal of the state government of Rajasthan.

¹<http://indianexpress.com/article/india/india-others/rajasthan-shows-way-in-labour-reforms/>

²A workman is any person employed in any industry to do any manual, unskilled, skilled, technical, operational, clerical or supervisory work for hire or reward. Those mainly employed in a managerial or administrative capacity, or those employed in a supervisory capacity (and earning more than INR 10,000 per month) are non-workmen.

³Labor laws appear in the Concurrent List of the Constitution of India, giving both the federal government and the state government legislative power.

⁴<http://timesofindia.indiatimes.com/india/Trade-unions-slam-Rajasthan-govt-bid-to-reform-labour-laws/articleshow/36315861.cms>

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