The Contract Labour (Regulation and Abolition) Act, 1970

The history of exploitation of labour is as old as that of civilisation itself. There has been an ongoing struggle by labourers and their organisations against such exploitation, but it continues in one form or the other. After the enactment of the Indian Constitution, the state is under an obligation to improve the standard of living of the working class that can be seen from the Article 43 of the Directive Principles of the State Policy. Article 43 mandates the state to endeavour to secure, by a suitable legislation or economic organisation or in any other way ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities. Keeping this in mind the Indian Parliament enacted the Contract Labour (Regulation and Abolishing) Act 1970 to deal with the abuses of contract labour system. This Act was enacted in order to abolish and regulate the contract Labour system in India. It further intends to prevent exploitation of contract labour and also to introduce better conditions of work.

What is contract labour?

Article 1 of the proposed Contract Labour Convention, 1998 defines the contract Labour in a following manner:-

For the purposes of this Convention:

a) the term "contract labour" means work performed for a natural or legal person (referred to as a "user enterprise") by a person (referred to as a "contract worker") where the work is performed by the worker personally under actual conditions of dependency on or subordination to the user enterprise and these conditions are similar to those that characterize an employment relationship under national and practice and where either:

i. the work is performed pursuant to a direct contractual arrangement between the worker and the user enterprise; or

ii. the worker is provided for the user enterprise by a subcontractor or an intermediary;

b) the term "subcontractor" means a natural or legal person who performs work for a user enterprise under a contractual arrangement with it, other than a contract of employment;

c) the term "intermediary" means a natural or legal person who makes contract workers available to a user enterprise without becoming formally the employer of these workers.

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Contract Labour is one of the several terms which are widely used to describe the work arrangements which do not fall within the traditional understanding of employment. Other terms include casual workers, subcontractors and daily labourers. There is no common definition for these terms which is agreed at international level. The use of the term contract labour revealed that there are two consistent elements which must be present for a work arrangement to be a contract labour situation:

1. Firstly, there should be a contractual arrangement under which a worker undertakes a work for a person or organisation other than under a contract of employment. We may say there is an agreement to perform work but the worker is not employed by the person for whom he performs the work.
2. Secondly, there should be some element of economic or organisational subordination or dependency between the worker and the person for whom the work is being performed.

Effects of Contract Labour
The system of employment of contract labour leads itself to various abuses such as:

- It deprives workers of various protections available under various labour legislations.
- It denies workers of contractual rights such as overtime, sickness benefits and holiday pay.
- It prevents workers acquiring continuity of employment and building experience.
- It limits workers access to insurance and other Social Security benefits.
- It limits the availability of industrial training and apprenticeships.
- It lowers the industry standards of skill and quality.
- It threatens workplace health and safety standards causing the accident, absences and even deaths.
- It allows the vision of taxes and social contributions by both workers and employers.

Objectives of the Act
This Act aims at:

- Abolition of contract labour in respect of such categories as may be notified by appropriate government;
- Regulation of the service conditions of contract labour where abolition is not possible;
- Setting up of advisory boards of tripartite character; and
• Maintenance of certain basic welfare amenities for contract Labour.

**Constitutional validity of the Act**

In *Gammon India Ltd. v. Union of India (1974)*, the Supreme Court examined the constitutional validity of this Act. The court held that there is no unreasonableness in the measures provided by this Act. Further, the court said that the subject matter of the legislation is not a contract but contract labour. Court rejected the contention of the appellant that the provisions of this Act are unconstitutional and unreasonable because of impracticability of implementation. The amenities provided by this act are the amenities for the dignity of human labour and are not in excess of the object of the Act. There is no violation of Article 14. The classification is not arbitrary since the legislature has made uniform law for all contractors.

**Applicability of the Act**

**This applies** to the following entities:-

- Any establishment in which twenty or more workmen are employed on any day of the accounting year as contract labour and
- Any contractor who employs or who employed twenty or more workers on any day of the accounting year.

**It does not apply to:**

- the establishments if any work not performed for more than one-twenty days in a year;
- the establishments situated in the special economic zone (SEZ); and
- the establishments if any work performed in the seasonal nature for more than sixty days in a year.

**Important Definitions**

**Contract Labour:** - A workman shall be deemed to be employed as "contract labour" in or in connection with the work of an establishment when he is hired in or in connection with such work by or through a contractor, with or without the knowledge of the principal employer.
**Contractor:** - A contractor is a person who takes over the responsibility to produce a given result for the establishment, other than a supply of goods or services of manufacture to such establishment, through contract labour or the person who provides contract labour for any work of the establishment and includes a sub-contractor.

**Controlled industry:** - Controlled industry means any industry the control of which by the Union has been declared by any Central Act to be expedient in the public interest.

**Establishment:** Establishment means--

  i. any office or department of the Government or a local authority, or
  ii. any place where any industry, trade, business, manufacture or occupation is carried on.

**Principal Employer:** - Principal Employer means--

  i. in relation to any office or department of the Government or a local authority, the head of that office or department or such other officer as the Government or the local authority, as the case may be, may specify in this behalf,
  ii. in a factory, the owner or occupier of the factory and where a person has been named as the manager of the factory under the Factories Act, 1948 (63 of 1948) the person so named,
  iii. in a mine, the owner or agent of the mine and where a person has been named as the manager of the mine, the person so named,
  iv. in any other establishment, any person responsible for the supervision and control of the establishment.

**Explanation.** --For the purpose of sub-clause (iii) of this clause, the expressions "mine", "owner" and "agent" shall have the meanings respectively assigned to them in clause (j), clause (l) and clause (c) of subsection (1) of section 2 of the Mines Act, 1952 (35 of 1952).

**Wages:** - Wages shall have the meaning assigned to it in clause (vi) of section 2 of the Payment of Wages Act, 1936 (4 of 1936).

**Workman:** - Workman means any person employed in or in connection with the work of any establishment to do any skilled, semiskilled or un-skilled manual, supervisory, or clerical work for hire or reward, whether the terms of employment be express or implied, but does not include any such person--
A. who is employed mainly in a managerial or administrative capacity; or
B. who, being employed in a supervisory capacity draws wages exceeding five hundred rupees per mensem or exercises, either by the nature of the duties attached to the office or by reason of the powers vested in him, functions mainly of a managerial nature; or
C. who is an out-worker, that is to say, a person to whom any articles or materials are given out by or on behalf of the Principal employer to be made up, cleaned, washed, altered, ornamented, finished, repaired, adapted or otherwise processed for sale for the purposes of the trade or business of the principal employer and the process is to be carried out either in the home of the out-worker or in some other premises, not being premises under the control and management of the principal employer.

Case Law

Gammon India Ltd. v. Union of India (1974)

The petitioners contended that they are not contractors within the definition of the Act. They advanced two reasons. First, the work of the petitioners is not any part of the work of the principal employer nor it is the work in connection with the work of the establishment namely, principal employer. Second, the work of the petitioners is normally not done in the premises of the establishment of the principal employer. By way of illustration, it is said that if a banking company, which is an establishment and which carries on its business in Delhi, employs the petitioners to construct a building in Allahabad, the building to be constructed is not the work of the bank. It is said that the only work of the bank as an establishment is banking work and, therefore, the work of construction is not the banking work of the establishment. Therefore, the petitioners contended that the workmen employed by the petitioners are not workmen in connection with the work of the establishment.

The court observed that the contention of the petitioners is unsound. When the banking company employs the petitioners to construct a building, the petitioners are in relation to the establishment contractors who undertake to produce a given result for the bank. The petitioners are also persons who undertake to produce the result through contract labour. The petitioners may appoint subcontractors to do the work. The construction of the building is the work of the establishment. The building is a property of the establishment. Therefore, the construction work is the work of the establishment. That is why a workman is deemed to be employed as contract labour in connection with the work of an establishment.
H. C. Bothra v. Union of India (1976)

Where the petitioner had undertaken to collect and manufacture, when necessary, quarry products to be supplied to the railway and the work of such collection and manufacture was done for and on behalf of the railway, it was held that the workmen employed by the petitioner for such work were to be deemed as ‘contract labour’ under the act and that the petitioner was a ‘contractor’.

Prohibition of employment of Contract Labour Sec 10

1) Notwithstanding anything contained in this Act, the appropriate Government may, after consultation with the Central Board or, as the case may be, a State Board, prohibit, by notification in the Official Gazette, employment of contract labour in any process, operation or other work in any establishment.

2) Before issuing any notification under sub-section (1) in relation to an establishment, the appropriate Government shall have regard to the conditions of work and benefits provided for the contract labour in that establishment and other relevant factors, such as-

   a) whether the process, operation or other work is incidental to, or necessary for the industry, trade, business, manufacture or occupation that is carried on in the establishment;
   b) whether it is of perennial nature, that is to say, it is of sufficient duration having regard to the nature of industry, trade, business, manufacture or occupation carried on in that establishment;
   c) whether it is done ordinarily through regular workmen in that establishment or an establishment similar thereto;
   d) whether it is sufficient to employ considerable number of whole-time workmen.

Explanation- If a question arises whether any process or operation or other work is of perennial nature, the decision of the appropriate Government thereon shall be final.

This act was passed to prevent the exploitation of contract labour and also to introduce better conditions of work. The Act provides for regulation and abolition of the contract labour. The underlying policy of the Act is to abolish contract labour, wherever possible and practicable, and where it cannot be abolished altogether, the policy of the Act is that the working conditions of the contract labour should be so regulated as to ensure payment of wages and
provision of essential amenities. That is why the Act provides for regulated conditions of work and contemplates progressive abolition to the extent contemplated by Section 10 of the Act. Section 10 of the Act deals with abolition and while the rest of the Act deals mainly with regulation. The dominant idea of Section 10 of the Act is to find out whether contract labour is necessary for the industry, trade, business, manufacture or occupation which is carried on in the establishment.

Steel Authority of India Ltd. v. Union of India & Ors. (2006)

The Supreme Court stated that the contract workers would have no right to automatic absorption upon abolition. They would only have a right to a preference in employment if permanent workers were to be employed to fill in the vacancies created by the removal of the contract workers upon abolition. The Bench further added that on issuance of notification by the appropriate Government under Section 10(1) prohibiting employment of contract labour in a given establishment, it is for the contractor to provide work to his labour in other establishments, where the contract labour system is not prohibited.

REGISTRATION OF ESTABLISHMENTS EMPLOYING CONTRACT LABOUR

Every establishment which proposes to employ contract workers for its work is required to obtain a certificate of registration from the appropriate Government.

The procedure for registering establishment employed with contract labour is as follows:-

Appointment of registering officers Sec 6

The appropriate Government may, by an order notified in the Official Gazette--

a) appoint such persons, being Gazetted Officers of Government, as it thinks fit to be registering officers for the purposes of this Chapter; and

b) define the limits, within which a registering officer shall exercise the powers conferred on him by or under this Act.

Registration of certain establishments Sec 7

1. Every principal employer of an establishment to which this Act applies shall, within such period as the appropriate Government may, by notification in the Official Gazette, fix in this behalf with respect to establishments generally or with respect to any class of them, make an application to the registering officer in the prescribed manner for registration of the establishment:

Provided that the registering officer may entertain any such application for registration after expiry of the period fixed in this behalf, if the registering officer is
satisfied that the applicant was prevented by sufficient cause from making the application in time.

2. If the application for registration is complete in all respects, the registering officer shall register the establishment and issue to the principal employer of the establishment a certificate of registration containing such particulars as may be prescribed.

The employer should approach the Registering office with Application for registration in Form No I and along with the receipt representing payment of the prescribed fee.

If the application for registration is fulfilled in all aspects, the registering officer can register the establishment and grant the copy of the registered certificate in Form-II.

This section imposes an obligation on the principal employer to apply for registration in the prescribed manner. If the application for registration is complete in all respects, the registering officer shall register the establishment and issue to the principal employer of the establishment a certificate of registration containing such particular as may be prescribed. If an establishment falls within the purview of the Act and the principal employer doesn’t apply for registration of the establishment to the registering officer as required under Section 7 of the Act the principal employer will not be permitted to employ the contract labour as per Section 9 of the Act.

**Every certificate of registration** will contain the following

- The name and address of the establishment.
- The maximum number of workers to be contracted as contract labour in the establishment.
- The type of business.
- Other important particulars, if any.

**Documents Required for Registration**

The required documents are to be produced by the contractor to the employer for approval. They are:-

- Copy of the report showing the legal status of the firm.
- Photograph of the document showing allotment of PF Code No.
- Copy of receipt/cover note/insurance policy received.
- Copy of challans showing remittance of security deposit.
- The licence fee to receive the labour licence.
Revocation of registration in certain cases Sec 8
The registering officer may revoke the registration of any establishment on the following grounds:-

1. that the registration of any establishment has been obtained by misrepresentation;
2. that the registration of any establishment has been obtained by suppression of any material fact; or
3. that for any other reason the registration has become useless or ineffective and, therefore, requires to be revoked.

In any of these circumstances the registering officer may, after giving an opportunity of being heard to the principal employer of the establishment and with the previous approval of the appropriate Government, revoke the registration.

Effect of Non-Registration Sec 9
No principal employer of an establishment, to which this Act applies, shall--

a) in the case of an establishment required to be registered under section 7, but which has not been registered within the time fixed for the purpose under that section;
b) in the case of an establishment the registration in respect of which has been revoked under section 8;

employ contract labour in the establishment after the expiry of the period referred to in clause (a) or after the revocation of registration referred to in clause (b), as the case may be.

If an establishment, to which this Act applies, has not been registered required to be registered under section 7 within the stipulated time fixed for the purpose, or the registration of any establishment has been removed under section 8, the principal employer is not entitled to engage contract labour thereafter.

LICENSING OF CONTRACTORS
Every contractor who has employed twenty or more workers on any day of the month has to obtain a licence for engaging contract labour working for any establishment.

Appointment of licensing officers Sec 11
The appropriate Government may, by an order notified in the Official Gazette,

a) appoint such persons, being Gazetted Officers of Government, as it thinks fit to be licensing officers for the purposes of this Chapter; and
b) define the limits, within which a licensing officer shall exercise the powers conferred on licensing officers by or under this Act.

This section makes it clear that only gazetted officers of the government can be appointed as licensing officers under the Act and such appointment has to be made by an order notified in the official Gazette. This section also empowers the appropriate government to define the limits within which licensing officer shall exercise the powers conferred on him by or under this Act.

The authorised licensing officer will issue the licence as per the provisions under section 12.

**Licensing of contractors Sec 12**

1. With effect from such date as the appropriate Government may, by notification in the Official Gazette, appoint, no contractor to whom this Act applies, shall undertake or execute any work through contract labour except under and in accordance with a licence issued in that behalf by the licensing officer.

2. Subject to the provisions of this Act, a licence under sub-section (1) may contain such conditions including, in particular, conditions as to hours of work, fixation of wages and other essential amenities in respect of contract labour as the appropriate Government may deem fit to impose in accordance with the rules, if any, made under section 35 and shall be issued on payment of such fees and on the deposit of such sum, if any, as security for the due performance of the conditions as may be prescribed.

Section 12 provides two aspects, namely licensing of contractors from undertaking or executing any work to contract labour except under and in accordance with the licence. The licence may contain such conditions including conditions as to hours of work, fixation of wages and other essential amenities in respect of contract labour. Such licence is issued on payment of such fees and on the deposit of such sum, if any, at security for the new performance of the conditions as may be prescribed.

**EFFECT OF NON-COMPLIANCE WITH SECTION 7 AND/OR SECTION 12 OF THE ACT**

The question involved is that if the principal employer does not get registration under section 7 of the Act and/or the contractor does not get a licence under section 12 of the Act whether the person so appointed by the principal employer through the contractor would be deemed to be the direct employees of the principal employer or not.
**Food Corporation of India Workers Union v. Food Corporation of India and Ors (1992)**

The Gujarat High Court held that, under Section 7 of the Act, the principal employer is required to obtain a certificate of registration issued by the appropriate government and under Section 12, the contractor is required to obtain a licence. The workmen can be employed as contract labour only through the licenced contractor. Unless both the aforesaid conditions are complied with, the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 would not be attracted. In a situation, wherein either of these two conditions is not satisfied workman employed by an intermediary could be deemed to have been employed by the principal employer. Therefore in relation to the period when either the principal employer did not possess the certificate of registration or the contractor did not possess the licence the workmen can claim that they are directly employed by the principal employer.

**Gian Singh v. Food Corporation of India (1991)**

The division bench of the Punjab and Haryana High Court held that if the principal employer does not get registration as required under section 7 of the Act and/or the contractor does not get the licence under Section 12 of the Act, the only consequence is the penal action contained in Sections 23 and 24 and the principal employer or the contractor can be prosecuted under those sections, but the act nowhere provides that employees employed through the contractor would become the employees of the principal employer.


There is a direct conflict between the decisions of various high Courts with respect to effect of non-compliance with Section 7 and/or Section 12 of the Act.


The Supreme Court observed that the only consequence provided in the act where either the principal employer or the labour contractor violates the provisions of Sections 7 and 12 respectively is the penal provision, as envisaged under the Act for which reference may be made to Sections 23 and 25 of the Act.

The Supreme Court has also expressed a similar view (as in Dena Nath) in labourers working on and categorically observed that if contractors undertake or execute any work through contract labour without obtaining a licence required under Section 12 of the Act, they would be guilty of a criminal offence punishable under section 23 or section 24 of the Act.

Grant of licences Sec 13

1. Every application for the grant of a licence under sub-section (1) of section 12 shall be made in the prescribed form and shall contain the particulars regarding the location of the establishment, the nature of process, operation or work for which contract labour is to be employed and such other particulars as may be prescribed.

2. The licensing officer may make such investigation in respect of the application received under sub-section (1) and in making any such investigation the licensing officer shall follow such procedure as may be prescribed.

3. A licence granted under this Chapter shall be valid for the period specified therein and may be renewed from time to time for such period and on payment of such fees and on such conditions as may be prescribed.

This section provides for the grant and removal of licenced to contractors. After receiving the application for grant of licence, the licensing officer is required to make such investigation in order to satisfy himself about the eligibility of the applicant for a licence.

Revocation, suspension and amendment of licences Sec 14

1. If the licensing officer is satisfied, either on a reference made to him in this behalf or otherwise, that-
   a) a licence granted under section 12 has been obtained by misrepresentation or suppression of any material fact, or
   b) the holder of a licence has, without reasonable cause, failed to comply with the conditions subject to which the licence has been granted or has contravened any of the provisions of this Act or the rules made thereunder, then, without prejudice to any other penalty to which the holder of the licence may be liable under this Act, the licensing officer may, after giving the holder of the licence an opportunity of showing cause, revoke or suspend the licence or forfeit the sum, if any, or any
portion thereof deposited as security for the due performance of the conditions subject to which the licence has been granted.

2. Subject to any rules that may be made in this behalf, the licensing officer may vary or amend a licence granted under section 12.

Appeal Sec 15

1. Any person aggrieved by an order made under section 7, section 8, section 12 or section 14 may, within thirty days from the date on which the order is communicated to him, prefer an appeal to an appellate officer who shall be a person nominated in this behalf by the appropriate Government:

Provided that the appellate officer may entertain the appeal after the expiry of the said period of thirty days, if he is satisfied that the appellant was prevented by sufficient cause from filing the appeal in time.

2. On receipt of an appeal under sub-section (1), the appellate officer shall, after giving the appellant an opportunity of being heard dispose of the appeal as expeditiously as possible.

WELFARE AND HEALTH OF CONTRACT LABOUR

Sections 16 to 21 of the Act deals with Welfare and Health of Contract Labour.

Canteens Sec 16

The appropriate Government by rules may require that wherein the contract labour numbering one hundred or more is ordinarily employed by a contractor, one or more canteens shall be provided and maintained by the contractor for the use of such contract labour. Without prejudice to the generality, the government may also provide for the foodstuffs which may be served there in and the charges which may be made therefore, the number of canteens that shall be provided, the standards of construction, accommodation, furniture, other equipment of the canteens etc.

Gammon India Ltd v. Union of India (1974)

It was held that the requirement of providing canteens even in road construction work is not unreasonable, and there is no constitutional infirmity involved.

Restrooms Sec 17

In connection with the work of an establishment:
a) to which the Act applies and in every place where contract labour is required to halt at night;
b) also, in which work requiring the employment of contract labour is likely to continue for the prescribed period;

the number of restrooms or the suitable option within the prescribed time shall be provided by the contractor, to the contract labour.

Further, section 17 provides that the restroom or alternative option must be sufficiently lighted and ventilated and shall be maintained in clean and comfortable condition.

Other Facilities Sec 18
It shall be the duty of every contractor employing contract labour in connection with the work of an establishment to which this Act applies, to provide and maintain--

a) a sufficient supply of wholesome drinking water for the contract labour at convenient places;
b) a sufficient number of latrines and urinals of the prescribed types so situated as to be convenient and accessible to the contract labour in the establishment; and
c) washing facilities.

First-aid Facilities Sec 19
There shall be provided and maintained by the contractor so as to be readily accessible during all working hours a first-aid box equipped with the prescribed contents at every place where contract labour is employed by him.

Liability of principal employer in certain cases Sec 20
1. If any amenity required to be provided under section 16, section 17, section 18 or section 19 for the benefit of the contract labour employed in an establishment is not provided by the contractor within the time prescribed thereof, such amenity shall be provided by the principal employer within such time as may be prescribed.
2. All expenses incurred by the principal employer in providing the amenity may be recovered by the principal employer from the contractor either by deduction from any amount payable to the contractor under any contract or as a debt payable by the contractor.

Responsibility for payment of wages Sec 21
1. A contractor shall be responsible for payment of wages to each worker employed by him as contract labour and such wages shall be paid before the expiry of such period as may be prescribed.

2. Every principal employer shall nominate a representative duly authorized by him to be present at the time of disbursement of wages by the contractor and it shall be the duty of such representative to certify the amounts paid as wages in such manner as may be prescribed.

3. It shall be the duty of the contractor to ensure the disbursement of wages in the presence of the authorized representative of the principal employer.

4. In case the contractor fails to make payment of wages within the prescribed period or makes short payment, then the principal employer shall be liable to make payment of wages in full or the unpaid balance due, as the case may be, to the contract labour employed by the contractor and recover the amount so paid from the contractor either by deduction from any amount payable to the contractor under any contract or as a debt payable by the contractor.

**Case Laws**

**Gammon India Ltd. v. Union of India (1974)**
In this case, the provisions relating to canteens and restroom provided under Sections 16 and 17 were challenged before the Supreme Court as being expensive amounting to unreasonable restrictions under Article 19 (1) (g) of the Constitution of India. This plea was rejected by the Supreme Court on the ground that these measures are amenities for the dignity of human beings and in the interest of the public.

**Senior Regional Manager, Food Corporation of India, Calcutta v. Tulsi Das Bauri (1997)**
This appeal by special leave arose from the judgement of the division bench of the High Court of Calcutta that respondents were engaged as contract labour by Bhagwat Prasad Choudhury, contractor, and while they were working, they were refused payment of the full wages. The Supreme Court held that Sec 21 postulates the responsibility for payment of wages. Under this section, contractor shall be liable for the payment of wages to each worker employed by him as contract labour and search wages shall be paid before the expiry of such wage period as may be prescribed. In case the contractor fails to make payment of wages within the prescribed period or makes short payment, then the principal employer shall be liable to make payment of wages in full or unpaid balance due, as the case may be, to the
contract labour employed by the contractor and recover the amount so paid from the contractor either by deducting from any amount payable to the contractor under any contract or as debt payable by the contractor.

**Hindustan Paper Corporation Ltd v. Kagaj Kal, Thikadar Sramik Union and Others (2008)**

In this case, the respondent union espousing the cause of contract labourers sought orders for payment of wages to them on par with regular employees. The Supreme Court held that it is not desirable for courts to interfere and decide matter pending disposal by competent authority that is labour commissioner in this case.

**PENALTIES AND PROCEDURE**

Section 22 to 27 of the Act provides for Penalties and Procedure thereof.

**Obstructions Sec 22**

1. Whoever obstructs an inspector in the discharge of his duties under this Act or refuses or wilfully neglects to afford the inspector any reasonable facility for making any inspection, examination, inquiry or investigation authorized by or under this Act in relation to an establishment to which, or a contractor to whom, this Act applies, shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to five hundred rupees, or with both.

2. Whoever wilfully refuses to produce on the demand of an inspector any register or other document kept in pursuance of this Act or prevents or attempts to prevent or does anything which he has reason to believe is likely to prevent any person from appearing before or being examined by an inspector acting in pursuance of his duties under this Act, shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to five hundred rupees, or with both.

**Contravention of provisions regarding employment of contract labour Sec 23**

Whoever contravenes any provision of this Act or of any rules made thereunder prohibiting, restricting or regulating the employment of contract labour, or contravenes any condition of a licence granted under this Act, shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to one thousand rupees, or with both, and in the case of a continuing contravention with an additional fine which may extend to one hundred rupees for every day during which such contravention continues after conviction for the first such contravention.
**Other offences Sec 24**
If any person contravenes any of the provisions of this Act or of any rules made thereunder for which no other penalty is elsewhere provided, he shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to one thousand rupees, or with both.

**Offences by companies Sec 25**
1. If the person committing an offence under this Act is a company, the company as well as every person in charge of, and responsible to, the company for the conduct of its business at the time of the commission of the offence shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment if he proves that the offence was committed without his knowledge or that he exercised all due diligence to prevent the commission of such offence.
2. Notwithstanding anything contained in sub-section (1), where an offence under this Act has been committed by a company and it is proved that the offence has been committed with the consent or connivance of, or that the commission of the offence is attributable to any neglect on the part of any director, manager, managing agent or any other officer of the company, such director, manager, managing agent or such other officer shall also be deemed to be guilty of that offence and shall be liable to be proceeded against and punished accordingly.

Explanation.-- For the purpose of this section--
   a) "company" means any body corporate and includes a firm or other association of individuals; and
   b) "director", in relation to a firm, means a partner in the firm.

**Cognizance of offences Sec 26**
No court shall take cognizance of any offence under this Act except on a complaint made by, or with the previous sanction in writing of, the inspector and no court inferior to that of a Presidency Magistrate or a magistrate of the first class shall try any offence punishable under this Act.
Limitation of prosecutions Sec 27
No court shall take cognizance of an offence punishable under this Act unless the complaint thereof is made within three months from the date on which the alleged commission of the offence came to the knowledge of an inspector:
Provided that where the offence consists of disobeying a written order made by an inspector, complaint thereof may be made within six months of the date on which the offence is alleged to have been committed.

Case Laws
S. B. Deshmukh v Labour Enforcement officer (1986)
A complaint was filed under sections 23 and 24 of the act against the petitioner who was the chief regional manager of the State bank of India and the contractor for supplying 12 persons as contract labour for maintenance, cleaning, dusting of building plan which was prohibited by notification issued by the Central government under section 10 (one) of the act. It was held that the prohibition under Section 10 of the Act is not for the establishment but it is for a particular activity of contract labour. If at all there is any contravention, the same is done by the principal employer and if the contractor had aided him and abated the employer in the commission of such offence then he ought to have been prosecuted on those allegations.

The petitioner was registered partnership firm having its office at Calcutta and engaged in business of catering. He was running a pantry car in running train, namely, Brahmaputra mail. Labour Enforcement Officer, Central, inspected the pantry car of Brahmaputra mail at Patna. A report regarding violations of provisions of the Contract Labour (Regulation and Abolition) Act, 1970 was preferred and allegedly served to the petitioner, which service was denied by the petitioner. As the defects pointed out in the report had not been cured by the petitioner, a complaint was lodged with the Chief Judicial Magistrate and the magistrate had taken cognizance of offence on the basis of that complaint under the Act. The present application has been filed by the petitioner for quashing the order of Chief Judicial Magistrate in connection with case for alleged offence under Sections 23 and 24 of this Act. The High Court held that there is no establishment under railway for carrying on the contract and hence use of pantry car on payment of licence fee would not come within the scope of establishment to cover the definition of contractor as per Section 2(c) of the Act. The High Court further held that the petitioner does not come within the purview of the act as a contractor and the
Labour Enforcement Officer had no authority to lodge any complaint against the petitioner. The complaint is without jurisdiction and the cognizance taken by the magistrate is illegal and without jurisdiction. Therefore, the High Court allowed the petition and quashed the impugned order of the cognizance together with criminal proceedings.


The petitioner was the Director in charge of Security and Detective Services (India) Ltd. It was alleged that the petitioner entered into an agreement with Talcher Power Station Expansion Division for engagement of security guards. These guards were contract labour and therefore the petitioner was required to take licence as contractor. It was held that the engagement of security guards was not in connection with any work of any particular establishment. Merely because the contractor undertakes to render any particular service and engage its employees it does not ipso facto lead to engagement of contract labour, unless persons who are engaged were held for any particular job. The prosecution has failed to establish that the contractor hired any particular person for engagement with the principal employer’s work. Therefore conviction of the petitioner under section 24 cannot be maintained.