

## HR Law Hotline

July 21, 2006

### CONTRACT YOUR WORRIES OUT

Vide Notification dated May 2, 2006, the State Government of Maharashtra effected an amendment ("**Amendment**") to the Contract Labour (Regulation and Abolition) Act, 1970 ("**Act**"). The Amendment exempts from the purview of the Act, work of an ancillary nature carried out in the area of a Special Economic Zone ("**SEZ**"). The Amendment clarifies the list of ancillary activities, being canteen, gardening, cleaning, security, courier services, transport of raw material and finished products, or loading/unloading within the premises of a factory/establishment. Further, it also clarifies that the work carried out in factories/establishments designated as 100% export units by the Government, which is required to achieve the objective of a principal establishment in the SEZ, is to be considered to be of temporary and intermittent nature, irrespective of the period of performance of the work by the workers in such ancillary establishments.

The Act was primarily enacted to regulate the employment of contract labour in certain establishments and to provide for its abolition under certain circumstances. The implication of the Amendment is that contract labour can now be used in the 100% export units located in SEZ in Maharashtra to contract out any activity as long as it satisfies the condition of being required to achieve the 'principal objective' of such establishment. The impact of this would be that at least the 100% export units located in SEZs in the State of Maharashtra could carry on their entire activities using contract labour. They would not need to take on employees on their payroll on permanent basis and thus be subjected to the provisions of the other employment laws, governing termination provisions etc.

As expected, this notification has not gone down too well with certain section of the society. Labour unions and some political parties are opposing this Amendment.

- **Jitender Tanikella & Vikram Shroff**

Source:

- **Notification No. MH/MR/South-227/2006-07**
- *The Economic Times (dated June 16, 2006) - "Policy blue: It's hire & fire at state SEZs"*
- *The Economic Times (dated June 19, 2006) - "Unions feel 'labour' pain in SEZ policy"*

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