

Outsourcing and – Contract Management



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Issues to be discussed in the sessions

- Introduction
- Global Perspectives
- why to outsource
- Statutory obligations & Judicial Pronouncements
- Growing trends - risks & rewards
- Comparative overview of regulations
- Necessary precautions
- Conclusion

Introduction

- Rapid global economic transformation & change
- Focus on core business and growing demand of assured quality of product and services.
- Reduction in cost and command.
- Achieving customer delight in the of knowledge workers ,knowledge economy & society.
- Business acquisition, merger and joint venture etc.
- Tough competition across the country and globe.

Introduction (cont...)

- Outsourcing - means contracting out the jobs or services.
- Contract – means – an agreement enforceable by law is a Contract, Indian Contract Act, 1872, The companies Act, 1956
- Contract of employment, contract of guarantee, contract of labour under CL(R&A) Act, 1970.
- “Contractor” is a person who, in the pursuit of an independent business, undertakes to do specific jobs or work for other persons, without submitting himself to their control in respect to the details of the work.

Introduction (cont...)

- BPO - means outsourcing business process which includes such as products, services from all over the globe.
- Knowledge Process Outsourcing (KPO) - transferring knowledge for business, projects and execution such as engineering design, basic data search, integration, biotech and pharma.
- Financial Process Outsourcing (FPO) - equity research, risk management, insurance, corporate & market research.

Introduction (cont...)

- Outsourcing is nothing but contract out jobs with contractor/agencies of skills, knowledge, technology, services and manpower for an agreed upon price and period to execute, which companies themselves no longer want to do in the larger interest of the business.
- Means sending of work traditionally handled inside the company to outside contractor.

Historical Perspective

- Initially manufacturing sector introduced the concept of incentive schemes linked with production and productivity.
- Standardization of product and closed economy.
- Opening of offers such as design, consultancy, research - Ford Motor, Shoes companies like Nike, Reebok & Adidas.

Historical Perspective (cont...)

- In India consumer products i.e. Toothpaste, brush, shaving cream etc. are being made by small and medium size units.
- Outsourcing started mainly with the opening of economy and revolution in IT sectors along with growing strength of WTO.
- Besides manufacturing,----- agriculture and service sectors have also been opened

Historical Perspective (cont...)

- Companies learn to outsource non-core functions such as IT, and important functions of HR like payroll, benefit administration, recruitment, performance evaluation, promotion, catering, housekeeping, security and surveillance, research, consultancy, design, employees development and so on.

Global perspective:

- WTO and International laws contributed to the rise in offshore outsourcing. The GATTs (General Agreement on Tariffs & Trade) has categorized the supply of services in respect of offshore outsourcing into four modes :-

Global perspective: (cont...)

1. Cross-border supply: supply of services across borders, e.g. outsourced technical support services.
2. Consumption abroad: supply of services in one's own country to foreigners.
3. Commercial presence: supply of services in a foreign country to that country consumers through a commercial presence in the foreign country.
4. Presence of Natural Persons: supply of services in the foreign country through temporary presence of service-providers in the foreign country.

Global perspective: (cont...)

- Evidence shows that American, Japanese and European companies have different labor standards in respect of off-shore outsourcing to take advantage of lower wages and the less stringent labor, health, insurance, social security and safety regulations.

Global perspective: (cont...)

- However, in the new era of economic competitiveness, off-shore outsourcing should balance some of the competitive issues such as :
(1) ensuring basic rights, poverty reduction, and labor standards for global labor, (2) protecting local jobs and providing readjustment for domestic labor and (3) fostering increased business efficiency and higher productivity.

Reasons for Outsourcing & benefits

Contd...

- Companies looking for growth without adding infrastructures, heads and cost.
- Emerging technologies in service delivery.
- Evolving partnership for others.
- Shift of HR function from transaction based role to strategic partner/adviser.
- Changing multi-lingual, multi-dimensional and multi-cultural work environment.
- Increasing competition and demand for specialized quality product and services.

Reasons for Outsourcing & benefits

Contd...

- Outsourcing is a strategic decision to reduce the risk arising from business fluctuations and changing aspirations of consumer, coupled with innovation by competitors.
- Loss making companies are gaining momentum by outsourcing their non-core activities.

Reasons for Outsourcing & benefits

Contd...

- Unfavorable behavior and conduct of employees.
- High cost of continuing the activity in-house.
- Reluctance of existing workforce to acquire new skills and learn new technology.
- Inability of management to find solution to inherited restrictive work practices.

Reasons for Outsourcing & benefits

- Limitation of in-house expertise.
- Focus on limit the number of employees so that internal operations are highly focussed.
- No overhead expenditure and administrative burden.
- Easy availability of contracting/sub-contracting jobs.

Pricing of Outsourcing

- No clear cut price ranges even with HR outsourcing in particular.
- The fees range greatly between services as well as within the services.
- Issues like number of employees, the option to use and even geography - will effect overall cost which may include onshore and offshore.

Success rate of Outsourcing

- Organization must agree that outsourcing can provide a distinct competitive advantage and benefit.
- Commitment and appreciation from the top.
- What can not be measured must not be outsourced.
- Must have comparative experiences of similar processes and make distinction on both tactical and transformational outsourcing for which attributes such as non-core activities, single department, pricing per transaction, vendors commitments, confidentiality of business tricks etc.

Growing Trend

- Entry of no. of countries in WTO membership list opened Pandora's box.
- Many non-core competency functions are in the process of outsource including some HR function such as payroll, recruitment, performance management, compensation, pension scheme etc.
- But still some HR function remain do it yourself domain. Cont.....

Growing Trend

- Greater demand on intellectual capital in the wake of the mergers, acquisitions and joint venture.
- Increasing power and flexibility of web enabled technology open new possibilities for automating many of the transactions associated with HR.
- Outsourcing HR is a natural extension of new economy.

Cont...

Growing Trend

- Hewitt Associates surveys suggest that outsourcing allows HR to focus on strategic business responsibilities.
- But deciding which HR function to offload and which firm to outsource - is a challenge.
- Large companies with complex policies and procedures need to reconcile these elements across the globe & multiple countries will have a strong consideration to outsource HR processes.

Risks and Rewards

- Companies can concentrate more on strategic business planning, directing and monitoring functions associated with HR programmes.
- On an average 60% of companies HR time is spent on administration, 30% on consulting and 10% on strategy.
- But success depends on competency, reliability and brand of the company which have taken the outsourced job of large company. Cont....

Risks and Rewards

- Achieving measurable, bottom-line results by increasing efficiency with HR transaction and leveraging economies of scale.
- Reducing or eliminating fines and penalties by keeping pace with changing govt. regulations.
- Lowering HR administration cost.
- Maintaining total control over company, as a co-employer.

Outsourcing – Statutory obligations

- Outsourcing is a good initiative to boost business but the present laws are yet to safe guard from on-going policies of labour laws operative in India.
- Contract Labour is still an issue for debate to be abolished and subsequently regularised or absorbed.
- Laws are yet to be amended in accordance with global business requirement.
- Business need and test has gone under change in the recent past but old laws are still in operation.

Applicability of Laws on Outsourcing

- Contract Labour (R&A) Act, 1970 and Rules.
- The Factories Act / The Mines Act / The Shops & Establishment Act.
- The EPF and (Miscellaneous Pro.) Act, 1952.
- The ESI Act, 1948 / Workmen's Compensation Act, 1923.
- I.D. Act, 1947 & Equal Remuneration Act, 1976

Applicability of Laws on Outsourcing

(Cont...)

- Minimum Wages Act, 1948, The Payment of Wages Act, 1936, The Payment of Bonus Act, 1965.
- Inter-State Migrant Workmen Act (Regulation of employment and conditions of service) Act, 1979 & Rules, 1980.
- The Motor Transport Worker's Act, 1961
- The Industrial Employment (Standing Orders) Act, 1946.

CL(R&A) Act – The Highlights

Object of the Act

- To regulate the employment of contract labour in certain establishments and to provide for its abolition in certain circumstances and for matters connected therewith.

CL(R&A) Act – The Highlights

(cont...)

Applicability

- Every establishment in which 20 or more workmen are employed or were employed on any day of the preceding 12 months as contract labour.
- Every contractor who employs or who employed on any day of the preceding twelve months 20 or more workmen. - Sec.1
- Central Advisory Contract Labour Board and State Advisory Contract Labour Board – Section 3 & 4

CL(R&A) Act – The Highlights

(cont...)

Registration of Establishments, Revocation of Registration in certain cases and effect of non-registration

- Principal employer employing 20 or more workers through the contractor or the contractor(s) on deposit of required fee in Form 1.

Sec.7, 8 & 9

CL(R&A) Act – The Highlights

(cont...)

Revocation of Registration

- When obtained by misrepresentation or suppression of material facts etc. after opportunity to the principal employer.

Sec.8

CL(R&A) Act – The Highlights

(cont...)

Prohibition of Employment of Contract Labour

- Only by the appropriate Government through issue of notification after consultation with the Board (and not Courts) can order the prohibition of employment of contract labour in any process, operation or other work in any establishment.
- Before issuing notification in relation to an establishment condition of work and benefits provided for the contract worker must be taken into consideration.
- There is no automatic absorption and the objectives to stop exploitation (R.K.Panda v. SAIL, 1994 & Deenanath v. National Fertilizer Ltd., 1992 - Sec.10

CL(R&A) Act – The Highlights

(cont...)

Licensing of Contractors

- Engaging 20 or more than 20 workers and on deposit of required fee in Form IV. Licensing is only a regulatory measure and it does not create any privilege. (SAIL vs. SAIL Contractor Workers Union, 1990)
- Valid for specified period.

Sec.12, Rule 21

CL(R&A) Act – The Highlights

(cont...)

Revocation or Suspension & Amendment of Licences

- When obtained by misrepresentation or suppression of material facts.
- Failure of the contractor to comply with the conditions or contravention of Act or the Rules.

Sec.14

CL(R&A) Act – The Highlights

(cont...)

Welfare measures to be taken by the Contractor

- Wherein contract labour numbering one hundred or more is employed by a contractor, one or more canteens shall be provided and maintained.
- First Aid Facilities.
- Number of rest-rooms as required under the Act.
- Drinking water, latrines and washing facilities.

Sec.16 & 17

CL(R&A) Act – The Highlights

(cont...)

Liability of Principal Employer

- To ensure provision for canteen, rest-rooms, sufficient supply of drinking water, latrines and urinals, washing facilities.
- Principal employer entitled to recover from the contractor for providing such amenities or to make deductions from amount payable.

Sec.20

CL(R&A) Act – The Highlights

(cont...)

Responsibility of Contractor for Payment of Wages

- To pay timely and to ensure the disbursement of wages in the presence of the authorized representative of the principal employer.
- Rate of wages not less than the rates as fixed or prevailing such employment as fixed by agreement.

Sec.21, Rule 25

CL(R&A) Act – The Highlights

(cont...)



Returns

- Contractor to send half yearly return in Form XXIV in duplicate within 30 days. Principal employer to send annual return in Form XXV in duplicate before 15th Feb. following the end of the concerned year.

Rule 82

CL(R&A) Act – The Highlights

(cont...)

- * **Registers and other records to be maintained**
- * **Laws, Agreement or Standing Orders inconsistent with the Act – Not Permissible.**
 - Unless the privileges in the contract between the parties or more favourable than the prescribed in the Act, such contract will be invalid and the workers will continue to get more favourable benefits. Sec. 29 & 30

CL(R&A) Act – The Highlights

(cont...)



Registers of Contractors

Principal employer

- * To maintain a register of contractors in respect of every establishment in Form XII.

Rule 74

CL(R&A) Act – The Highlights

(cont...)

Registers of Contractors

Contractor

- To maintain a register of workers for each registered establishment in Form XIII.
- To issue an employment card to each worker in Form XIV.
- To issue service certificate to every workman on his termination in Form XV.

Rule 75, 76 and 77

CL(R&A) Act – The Highlights

(cont...)

Sec.	Offence	Penalties
Sec.22	Obstructions	For obstructing the inspector or failing to produce registers etc. – 3 months' imprisonment or fine upto Rs.500, or both.
Sec.23	Violation	For violation of the provisions of Act or the Rules, imprisonment of 3 months or fine up to Rs.1000. On continuing contravention, additional fine up to Rs.100 per day.

CL(R&A) Act – The Highlights

(cont...)

Power to exempt in special cases in public interest and also in the interest of economy for fixed tenure as the case may be.

Sec. 31

The appropriate govt. may subject to the condition of previous publication, make rules for carrying out the purposes of this act.

Sec. 35

Some Recent Judicial Pronouncements of Apex Court

- In absence of any separate law for contract labour, first land mark judgment of Supreme Court came in the case of Standard Vacuum Refining Company and their workmen – 1960-II-LLJ, in which there was indication of requirement of economy and demand of social justice.
- CL (R&A) Act came in 1970 followed by no. of judgments of High Courts and Supreme Court.

Some Recent Judicial Pronouncements of Apex Court (cont...)

- The issue of regularization/ absorption became more prominent under this Act in R.K.Panda vs. Steel Authority of India case in 1994 (LLR634SC), Hussainbhai case 1978, Gujarat Electricity Board case 1975 and Air India Statutory Corporation 1997, LLR-228(SC) etc.

Some Recent Judicial Pronouncements of Apex Court (cont...)

- With the passage of time, judicial activism has been witnessed in the case of Steel Authority of India vs. NUWF worker, 2001, LLR961(SC) in which Apex Court through five Judges Constitution bench delivered landmark Judgment in respect of defining “Appropriate Govt.” Regularization/ Absorption, legality of notification of 1976 under section 10, sham or genuine contract, statutory canteen employees.

Some Recent Judicial Pronouncements of Apex Court (cont...)

- The Supreme Court in the case of Uma Devi vs. State of Karnataka, 2006, 4 SCCI, held that public employment in any form is not allowed without adhering to constitutional provisions under Article – 32, 136, 141, 142, 226 and 16, 14, 309, 38 and 39.
- In APSRTC vs. G.Srinivas, 2006, LLR433, it was held that there cannot be direct absorption unless there is abolition of job through advisory committee.

Some Recent Judicial Pronouncements of Apex Court (cont...)

- In respect of minimum wages, the Supreme Court held in the case of Haryana State vs. Charanjeet Singh, 2005 (107) FLR994 that workers employed on contract cannot claim equal pay for equal work under section 25B.
- In the case of state of Haryana vs. Tilakraj, 2003, LLR823, the problem about equal pay for equal work cannot be translated into a mathematical formula, hence the concept being abstract cannot be applied universally.

Some Recent Judicial Pronouncements of Apex Court

- Even in respect of statutory or non-statutory canteens, Supreme Court held in 2005 LLR- 529 in the case of Haldia refinery canteen employees vs. Indian Oil, canteen employees working under contractors, have no right to claim to be the employees of principal employer despite the fact that some terms of condition of employment between contractors and their workers have been monitored or supervised.

Some Recent Judicial Pronouncements of Apex Court (Contd.)

- In the recent judgment of Supreme Court of India in the Hindalco Industries Ltd. Vs. AEW case No. 6410 of 2000 LLR 509 /2008 , it has been held that canteen workers through contractor U/S 46 of factories Act 1948 , is entitle for all the benefits as provided to other employees of the company. Hence, earlier judgment of three judges of petrochemical against statutory canteen has not been relied upon in this case and relief is in favour of workers who are working on perennial nature of job.

Canteen Employees

- Parimal Chandra Raha vs. Life Insurance Corporation of India. 1995 Supp. (2) SCC 611.
- 1. Where there is statutory obligation (e.g. under factory act) to provide and maintain a canteen for the use his employee.
- 2. Where no statutory obligation but otherwise obligation on employer to provide a canteen – such as part of service condition.
 - The canteen becomes part of the establishment.
 - Workers employed in such canteen are the employees of the management.

- In Saharanpur Mills Co. Ltd. Rumanlal Chimanlal, AIR 1973 SC 1973 SC 2997 (1974) 3 SS 66

The supreme court held that where there is a statutory liability on the company concerned in the factory, then even though the canteen was as run by a cooperative society, the employee working in the canteen would be covered by the definition of the word “employed” under section 3(#) of the Bombay industrial relation act.

New Judicial Pronouncement

- In a recent past judgment of Supreme Court of India in a Civil Appeal No.2244 of 2002, D/-13-4-2009, reported in 2009 LLR 923 in the case of International Airport Authority of India vs. International Air Cargo Workers' Union, it has been held that even under Sec.10 of CL(R&A) Act – In the absence of abolition of contract labour system by the appropriate government – Contract between principal employer and contractor is not sham and nominal as contended by the Union. Remedy available under I.D. Act. If there is no notification under Sec.10 and not proved under Industrial adjudication as sham/nominal and camouflage – Principal Employer cannot be directed to absorb or regularize the services of contract labor. There may be further violation of Constitution of India under Article 14, 16 and 226.

Major Concern:-

Contd...

- Is outsourcing a sustainable business strategy?
- Is management commitment suffice the purpose for which it is being introduced?
- Is outsourcing going to be a strategy that will let us reach where we want to go?
- Are we only outsourcing what we don't know how to do?
- If we do not outsource, can we be stay competitive without present strategies, people and processes? Are they right?

Major Concern:-

Contd...



- Is proper communication and commitment horizontally and vertically ensured?
- Is there any procedural lapses and it has been overcome?
- Do we know our own intellectual property?
- Have we documented it?

Major Concern:-

- Do we have short listed the agencies for outsourcing?
- Do we mean that we don't eat with our fingers?
- What will happen if the relationship ends?
- What will happen to permanent employees strength&moral?
- Do we agree that over dependence leads to poor quality of service,increasing gaps of HAVE or HAVE not,social&economic imbalances ?

When An Agreement With The Contractor Can Rendered Sham

- When the agreement does not disclose the name, address of the contractor, the exact nature of job to be assigned, nature of job other than actually to be performed, is against the norms of judicial pronouncement/ statutory provisions, tool or device to deprive the right of livelihood or as a tool for victimization of unfair labour practice or against agreed or minimum wages.

Do's & Don'ts For Principal Employer In Engaging Contract Labour.

- Before engaging must see the government notification relating to prohibition, have registration certificate, licence to be obtained by contractor under section 12 of the Act, payment of wages as per provisions under Act, no supervision and control by the principal employer, not to be perennial nature, discipline of the employees of the contractor must be regulated by the contractor not by the principal employer.

Contd... 58

Do's & Don'ts For Principal Employer In Engaging Contract Labour.

- Contract should not specify the number of persons required, leave, advances, loans etc., not to be given by the principal employer employer, maintenance of all types of records.
- Dictum of Supreme Judgment in Hussainbhai's case (supra) must be adhered to in drafting the agreement for the contract (**of job not of services**), implementation of ESI, PF, amenities under the Act and annual returns.

Precautions:

- When contractor deposit provident fund & ESI obtain from him a copy of challan supported by list of contract labour and a statement to this effect that he has deposited the payment of labour under referred work order.
- Not to allow contractors to engage sub-contractors and obtain indemnity bond from contractor to take the liability of sub-contractor for compliance.

Precautions: (cont...)

- Explore possibility that contractor engages only own regular workforce working under him with minimum number of contract labour.
- Never sign any overtime slip gate pass/photo pass of contract labour directly and issue any service certificate to contract labour.
- Engage contractor having ESI and EPF number so that they are independent employer establishment.

Precautions: (cont...)

- Ensure that the contractor should not employ contract labour regularly for over 240 days/ continuously inside the factory ensure he puts condition of termination without notice and engages contract labour for specific period.
- Ensure contractor observes working hours, rest intervals, spread over's O.T. payments. Weekly rests, national and festival holidays as per the factories act / shop and establishment act as applicable.

Precautions: (cont...)

- Factories Act does not recognize a contractor for prosecution. It recognizes only occupier and manager of the factory. Hence, build records about your diligence on safety instructions, safety belt, mask, helmet, goggles, safety shoes etc. educate contractor on safety aspects and relevant provision of law.
- Ensure welfare and health facility as provided in contract act, is extended to contract labour viz. first aid facility ,rest room, canteen etc.

Precautions: (cont...)

- Take complete transformation from contractors after award of contract on ESI & PF Code No. Insurance cover, wage period, weekly holiday payment date and send to personnel dept.
- Keep an eye on contractor's recruitment/engagement of labour of fulfilling your job requirements in the factory.
- Try an attempt to mechanize jobs to reduce dependence on contract labour avoid employment of contract labour as easy way out.

Precautions: (cont...)

- Ensure that tender notice/document must informed about liabilities of contractors before they quote don't spring surprises.
- Don't issue character certificate/Service certificate/overtime slips to contract labours.
- Enquire name of inspector having jurisdiction from personnel department and obtain minimum wage rate.

Precautions: (cont...)

- Allow to employ minimum no. of contract labour to see the work done within a short duration instead of annual work in order to prove that the work is intermittent nature/not regular.
- Wherever you use the work contract labour never mention regular worker or employee on regular job.
- Assess the situation of engagement of contract labour at regular intervals helping in mind the reduction of contract labour wherever possible and further recruitment to utilize elsewhere properly.

AIR – 1982 – SUPREME COURT – 1473

1982 – LAB – IC – 1646

**P.N. BHAGWATI & BAHARUL ISLAM JJ PEROPLE
UNION FOR DEMOCRATIC RIGHTS AND OTHERS –
PETITIONERS vs. UNION OF INDIA & OTHERS –
RESPONDENTS**

WE MAY ADD THAT WHENEVER WORK IS BEING CARRIED OUT EITHER DEPARTMENTALLY OR THROUGH CONTRACTORS, THE GOVT. OR ANY OTHER GOVT. AUTHORITY INCLUDING A PSUES. WHICH IS CARRYING OUT SUCH WORK MUST TAKE GREAT CARE TO SEE THAT THE PROVISIONS OF THE LABOUR LAWS ARE BEING STRICTLY OBSERVED AND THEY SHOULD NOT WAIT FOR ANY COMPLAINT TO BE RECEIVED FROM THE WORKMEN IN REGARD TO NON-OBSERVANCE OF ANY SUCH PROVISIONS.

SUPREME COURT – 1994 – AIR – SCW – 2460
ROURKELA SHRAMIKA SANGH AND OTEHRS vs.
STEEL AUTHORITY OF INDIA

IT IS TRUE THAT WITH THE PASSAGE OF TIME AND PURELY WITH A VIEW TO SAFEGUARD THE INTERESTS OF WORKERS, MANY PRINCIPAL EMPLOYERS, WHILE RENEWING THE CONTRACTS, HAVE BEEN INSISTING THAT THE CONTRACTOR OR THE NEW CONTRACTOR RETAINS THE OLD EMPLOYEES. IN FACT SUCH A CLAUSE IS INCORPORATED IN THE CONTRACT ITSELF. HOWEVER, SUCH A CLAUSE WHICH IS BENOVOLENTLY INSERTED TO PROTECT THE CONTINUANCE OF THE SOURCE OF LIVELIHOOD OF THE CONTRACT LABOUR CANNOT BY ITSELF GIVE RISE TO REGULARISATION IN THE EMPLOYEMENT.

Precautions: (cont....)

1. DO NOT SUPERVISE AND CONTROL THE WORKERS OF OTHER EMPLOYERS. YOU HAVE NO MORAL OR LEGAL RIGHT TO CONTROL OTHERS' WORKERS. HENCE:-
 - LEARN TO SUPERVISE YOUR OWN WORKERS.
 - LEARN TO SUPERVISE THE CONTRACT JOB – NOT CONTRACT LABOUR.
 - DO NOT ENGAGE CONTRACTOR AS A MERE FIGURE OR AS A SHAM CONTRACTOR MERELY AS A DEVICE TO CAMOUFLAGE THE STATUS OF CONTRACT LABOUR.

Precautions: (cont....)

2. DO NOT EMPLOY CONTRACT LABOUR ON ANY ACTIVITY EMPLOYMENT WHEREUPON OF CONTRACT LABOUR HAS BEEN PROHIBITED UNDER SECTION 10 OF CONTRACT LABOUR (R&A) ACT.
3. DO NOT RECRUIT CONTRACT LABOUR. DO NOT TRANSFER CONTRACT LABOUR. DO NOT SEND CONTRACT LABOUR ON TOUR. DO NOT TERMINATE CONTRACT LABOUR. DO NOT MAINTAN MUSTER ROLL OF CONTRACT LABOUR. DO NOT GRANT LEAVE TO CONTRACT LABOUR. DO NOT GIVE CERTIFICATES TO CONTRACT LABOUR.

Precautions: (cont....)

4. DO NOT EMPLOY CONTRACT LABOUR ON ANY (i) PROCESS, OR (ii) OPERATION, OR (iii) ANY WORK SIMILAR TO THE PROCESS OR OPERATION WHICH DIRECTLY ARE FOR PURPOSE OF YOUR BUSINESS. EMPLOYMENT OF CL MAY BE ABOLISHED ON THESE ACTIVITIES ANYTIME.
5. DO NOT EMPLOY CONTRACT LABOUR ON ANY ACTIVITY IF MATUALLY AGREED WITH YOUR REGULAR WORKEERS UNION UNDER SETTLEMENT / AGREEMENT UNDER I.D. ACT [UNDER RULE 22 (b) OF CONTRACT LABOUR (R&A) RULES, NO LICENCE IS TO BE GIVEN].

Precautions: (cont....)

6. DO NOT SIGN A SETTLEMENT WITH TRADE UNION OF CONTRACT LABOUR UNDER SECTION 18(1) OR 18(3) OF I.D. ACT. DO NOT NEGOTIATE WITH SUCH UNION. DO NOT ALLOW CONTRACT LABOUR TO PARTICIPATE IN CHECK-OFF / SECRET BALLOT FOR DECIDING REPRESENTATIVE STATUS OF YOUR UNIONS.

Labour laws in neighboring countries

- Pakistan – Industrial Relation Ordinance, 1969; Standing Orders Ordinance, 1968 and Factories Act, 1934 – The essence of three laws are to project less presence of contract labor in comparison to permanent and thereby they should not be allowed to form Union under Sec.6 of IRO and to raise disputes in respect of terms of employment and other service condition.

Labour laws in neighboring countries

(cont....)

- Sri Lanka : There are different laws to regulate the terms of employment of even different type of work force who may be seasonal, casual, temporary ,Contractual or permanent. However they have laws to regular the terms of employment, payment of wages, social security etc.

Labour laws in neighboring countries

(cont....)

- The Chinese condition under Article 11, 14 & 18, we will find that the conditions and provisions under which contract labour system operates are different. These articles regulate the recruitment procedure of foreign investors employees setting up their business. However, they cannot be equal to the permanent employees working in China.

Conclusion

- Outsourcing has recently emerged as business strategy either offshore outsourcing or otherwise, create and sustain business value in the competitive global market which ultimately becoming ideal way out for organizations who are looking to reduce cost, focus on core business processes, improve services, enhance skill and increase competitive advantage.
- Outsourcing is probably a plus for the economy in long run, but must asses the impact on their people, processes, methods and tools.
- There is need to go into the socio political and legal economy of outsourcing.



Thanking you!