

Workers to receive compensation if sacked due to prolonged

Somesh Jha | New Delhi Last Updated at January 3, 2020 21:36 IST

The IR Code Bill will consolidate three labour laws: the Trade Unions Act, 1926; the Industrial Employment (Standing Orders) Act, 1946; and the Industrial Disputes Act, 1947.

Companies will soon have to pay compensation to workers retrenched because of prolonged illness.

In the current law, there is no retrenchment protection for workers. The proposal is a part of the Industrial Relations (IR) Code Bill, 2019, which was referred to the Standing Committee on Labour by the National Democratic Alliance (NDA) government in December.

The IR Code Bill will consolidate three labour laws: the Trade Unions Act, 1926; the Industrial Employment (Standing Orders) Act, 1946; and the Industrial Disputes Act, 1947.

According to the Industrial Disputes Act, 1947, employers are required to pay compensation to workers for retrenchment, except in some conditions such as disciplinary action. "Termination of the service of a workman on the grounds of continued ill health" was one such criterion for companies to not pass on retrenchment compensation to workers. However, this clause does not find place in the IR Code Bill 2019 — introduced in the Lok Sabha in December.

"Illness is beyond the control of workers. There were many cases where employers had terminated workers because of prolonged illness. Sometimes it has also led to industrial dispute but many other times workers are not able to redress it at an appropriate forum. This is a welcome pro-labour step," said Virjesh Upadhyay, general secretary of Bharatiya Mazdoor Sangh, an RSS-affiliated trade union.

Employers are currently required to give a notice of one month before retrenching a worker and compensation includes payment to the tune of the worker's salary of 15 days per year. The formula for compensation would be the same under the new law.

Further, the government has proposed a safeguard clause for retrenching workers who are hired on a fixed-term contract i.e. a contract with a fixed tenure. Though fixed-term employment is proposed to be legitimised through the IR Code Bill, companies will still have to pay compensation to workers who are retrenched before the end of their fixed-term tenure.

According to the IR Code Bill, "termination of service of the worker as a result of completion of tenure of fixed-term employment" will not fall under the definition of retrenchment. This means that no compensation for retrenchment will have to be paid. "But fixed-term workers who are retrenched before the expiry of their tenure will be paid compensation according to the law," a senior labour and employment official said.

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Contract workers serving a fixed tenure will get equal statutory social security benefits as regular workers in the same unit, under the fixed-term employment framework part of the IR Code Bill.

Under the current system, firms resort to hiring contract workers through contractors and they argue that it's a resource-intensive exercise. Through the fixed-term employment system, companies will be able to hire contract workers directly.