



Contract labourers in Steel Industry: A Case Study

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Abstract: Contract labour has evolved into a significant and complex part of the modern industrial workforce. Following liberalization, globalization increased the competition for companies and firms were forced to undertake various measures to reduce costs to sustain profitability. One of the most significant cost components is worker wages and salaries, therefore, in order to reduce costs and maintain a smooth flow of production, industries are increasingly adopting contract labour. Contract labour is defined as temporary labour hired on a project-by-project basis with the termination of employment when the project is completed. As a result, the responsibility for social security and welfare provisions is placed with the contractors rather than the employers. The trend underlines worry about the lack of job security, remuneration insecurity, and situations for contract labours, who do not receive the same advantages as regular employees. This study examines the status of contract workers in relation to permanent employees at the Bhilai Steel Plant, the premier unit of Steel Authority of India Limited (SAIL). The study documented differences in job security, wage inequality, and benefits and necessitate legal and policy changes to protect contract labour rights. The findings of this research will benefit the studies in labour laws and industrial relations in the Indian steel industry.

Keywords: Contract Labour, Laws, Steel Industry, CLRA, BSP, India

I. INTRODUCTION

Contract work is an essential component of current industrial work, especially in steel, other construction work, and manufacturing, where flexibility in the workforce is important. Because of its role as one of the main players in economic growth, the steel industry in India has increasingly relied on contract labour. Contract workers are those individuals referred to third-party contractors to

execute work that is essential, yet temporary and not permanent. In return, contract workers do not receive the security, benefits, or stability offered to permanent employees. The contract labour system is a function of a triangular relationship involving the principal employer, the contractor, and the worker [1]. The principal employer benefits from a lower cost in labour with fewer liabilities, while contract workers receive lower wages, no starting security, and often, no social security benefits. The Contract Labour (Regulation and Abolition) Act, 1970 (CLRA) was a legislative effort aimed at regulating contract workers and improving their work conditions. Enforcement of the CLRA is weak and allows for loopholes that exploit workers through the contract arrangements [2].

The "Bhilai Steel Plant", a unit of "Steel Authority of India Limited (SAIL)", is pioneering producers of steel in India. The plant runs 24 hours a day, throughout the year, necessitating a significant number of employees to operate the facility. Over time, the plant has increasingly relied on contract employees to satisfy its operational needs. This provides some cost savings, and affords some flexibility in the workforce, but alarming about the rights of workers, job security, and pay. The distinction between contract and permanent workers is glaring. Permanent workers are compensated with wages, allowances, job security, and job benefits, and contract workers tend to be compensated for a fixed amount without benefits. This division has led to strikes and legal challenges in relation to worker entitlements and discussions about labour law reform in India.

The current research seeks to analyse the conditions of contract workers employed at the Bhilai Steel Plant using a comparative analysis with formal employees. While analysing significant legislative and policy changes, trends in the employment landscape, and case law, this research will examine each of these emergent challenges allied with the acceptance of bond work



arrangements in the Indian industrial context. As an account of emerging trends in contract work in the steel industry, from 2017 to 2023, this paper objectives to contribute to the scholarly conversations promoted by circles interested in transforming labour conditions as related to both contract workers and formal employment.

II. BACKGROUND AND METHODOLOGY

Understanding the historical context of contract labour in India offers understanding into how the contract labour system has developed through time. The use of contract workers has existed since ancient Greece. Since the industrial era, industries have been struggling to meet their labour needs[3]. In the Durg division of Chhattisgarh, there are about 946 small and large industrial units, both public and private sector. The Durg region is an important industrial area, and to illustrate the point further, the Bhilai Steel Plant (BSP), a public sector unit, employs around 22,000 contract workers alone. There are large wage disparities between contract workers employed by central or state government agencies. Contractors often exploit workers through low wages. Within the public sector, there are about 12 major industries including the BSP, Bhilai Refractories Plant (BRP), Ferro Scrap Nigam Limited (FSNL), and Bharat Sanchar Nigam Limited (BSNL).

Contract workers in the districts such as Rajnandgaon, Bemetara, Kabirdham, Balod, and Durg are often exploited by employers and contractors, with not being paid wages and other labour laws often being contravened. In order to resolve this within the district, it is possible by following a strategic method to improve the tripartite relations between the government, the contractors, and the workforce, while not violating contracts for labour.

The International Labour Organization (ILO) released a report which indicated that the COVID-19 pandemic triggered the worst global labour crisis since World War II. Workers across the world were hit economically[4]. Specifically, in India, the unorganised sector was especially affected with about 33 crore workers working in unorganised jobs. Of these workers, 24 crore workers were employed in agriculture, 40 crores in manufacturing, 37 crores worked in service and trade, and 17 crores were employed construction. The Second National Labour Commission highlighted the need to rationalize labour laws on unorganised workers. In India, contract labour is governed by the Contract Labour (Regulation and Abolition) Act, 1970

(CLRA)[5]. The Act applies to establishments or contractors engaging, 20 or more contract labours[6]. The key provisions in the Act include:

1. Registration and Licensing: Any establishment or contractor employing contract workers must get an authorization from the proper government authority, and it is the responsibility of the employer to obtain the said license which serves as proof of compliance with the Act's provisions.

2. Prohibition on Abolition of Contract Labour: Contract labour can be engaged for work that is intermittent, seasonal, or of a specific project nature, and the Act prohibits the inhibition of the contract labourers under any special circumstances[7].

3. Employment Conditions: Contract workers must be provided with conditions of employment that are not inferior to those provided to regular workers and should receive wages and benefits as prescribed by the government, including wages at or above the minimum wage, payment of overtime, and other statutory benefits.

4. Welfare Provisions: The principal employer is responsible for ensuring that various welfare measures are provided to contract workers such as canteen facilities, restrooms, drinking water, first aid, and other amenities necessary for the workers' health and safety.

5. Responsibility of Main Owner: The primary employer is accountable for the compliance of labour laws by the contractor. If the contractor fails to fulfil any statutory obligation, the principal employer is obligated to ensure the provision of the same [8].

6. Payment of Pays: The Act mandates the timely salary to contract labours. Wages should be salaried in the presence of a representative of the contractor and should be disbursed at regular intervals, typically not exceeding a fortnight.

7. Working Hours and Overtime: The Act stipulates that contract workers should not be required to labour extra than the prescribed number of hours per day or week (not more than 9 hours in a day) [9]. If they are required to work overtime, they should be remunerated at an amount higher than the normal wage rate.

8. Inspections and Enforcement: The Act gives labour inspectors the authority to visit businesses to guarantee adherence to Act obligations. They can review records, registrations, and other paperwork pertaining to contract worker employment[10].

9. Dispute Resolution: The Act offers conciliation or arbitration as means of conflict resolution occurring under its cover. Should an argument still be unresolved, it might be referred to the relevant labour court or tribunal for judgement [11].



Since the law and its interpretations can differ, it would be prudent to reference the Contract Labour (Regulation and Abolition) Act 1970 for detailed requirements and responsibilities regarding contract labour in India[12]. The contract labour history in India is essential in its own right. With early industrialization, the demand for labour rose sharply, and industries have always faced challenges in managing their labour force. Since then, labour legislation has evolved and developed to address contract work while ensuring workers are treated fairly.

Understanding Contract Labour

It is important to clarify what contract labour constitutes. Contract labour is distinguished from "direct labour" according to the type of employment relationship. British employers and their representatives, at that time, were unaware of some significant challenges workers were facing, including the low social standing of factory labourers, restricted employment mobility, barriers of caste and religion, and barriers of language. They struggled to effectively grapple with the challenges in the workplace, and therefore relied on people who offered their services in recruitment and management. These people, often termed by many names in different places of the world, were significant in terms of regulating the labour force.

Contract labourers have consistently been, one of the most exploited sections of the working class. Throughout history, the absence of organisation has put this segment in a position of unacceptable exploitation. The Whitely Commission (1860) recommended, indirectly, the abolishing of contract labour [13]. In addition to being advantageously exploited prior to 1860, contract workers were at risk of criminal liability under the Workmen's Breach of Contract Act, 1959[14]. The government established various committees to study the socio-economic conditions of contract workers, such as the Bombay Textile Labour Enquiry Committee, the Bihar Labour Enquiry Committee and the Rega Committee [15]. Although there are concerns about low wages along with loss of employee loyalty, sectors persist in hiring a large number of contract labours. This is often due to a need for flexibility of workers, lower labour costs, and economic efficiency, etc., as well as, utilization of resources in an optimal way, maximization of profit, and minimizing costs.

Legal Perspectives on Contract Labour

Numerous court rulings have affected the status and rights of contract labourers, given that

they still seem to affect a central area of contention in government labour reforms. Courts have pursued a careful balancing of reasonable treatment and safety of contract workers, preventing excessive exploitation from industrial employers. According to Mani (2024), in the case of "Standard-Vacuum Refining Company of India vs. Its Workmen and Others (1960)", the Supreme Court decided that if any contract worker was doing work of a permanent nature while earning lower wages than any non-contract employee, the court has the power to order that they be regularized with the principal employer (*The Standard-Vacuum Refining Co. of India Ltd. v. Its Workmen & Others*, 1960)[16] [17].

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The Supreme Court in *Gammon India Ltd. vs. Union of India* (1974) offered a wide interpretation of several provisions within the Contract Labour (Regulation and Abolition) Act, 1970 [18]. The judgment dealt with crucial ideas, such as entitlements, wage patterns, and obligations of contractors and the principal employer. The judgment also affirmed the constitutional validity of the Contract Labour Act.

In the case of *Steel Authority of India vs. National Union of Waterfront Workers and Others* (2001), the Supreme Court asserted that the prohibition of contract labour does not give contract labourers the right to be employed permanently[19]. Rather, the contract labourers may have a preference in hiring if contract labour personnel are laid off due to contract labour being abolished.

Parry(2013) thoroughly investigated how contract labourers are treated in India's steel industry, specifically examining the working conditions at Bhilai Steel Plant. The research drew on workforce statistics from the years happened between 2017 and 2023, which came from Bhilai Steel Plant's data department. The collected data was then classified and critically investigated from a legal perspective; this is displayed in the forthcoming section[20].

III. CASE STUDY AND DISCUSSION

Bhilai Steel Plant is one of India's largest steel producers and the first and main supplier of steel rails in India and produces roughly 31 lakh tonnes of total saleable steel/annum. We can only imagine the scale of workforce needed to maintain



this output every year. Figure one shows the variation of workforce for the financial year of

2017-2023 in Bhilai Steel Plant.

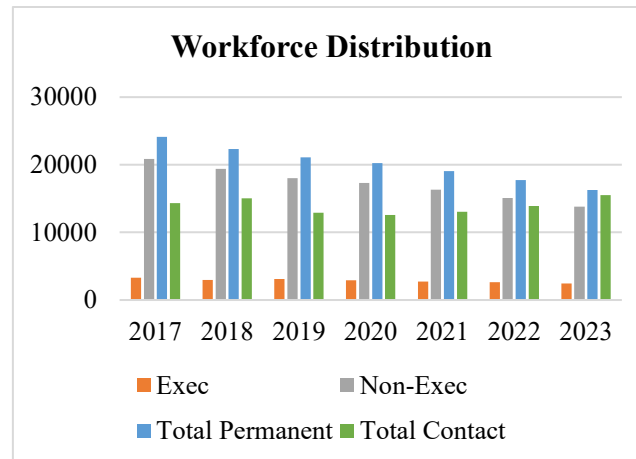


Figure 1: Workforce Distribution.

Figure 1 illustrates the comparative workforce strength of executives (officers, permanent), non-executives (non-officers, permanent), total permanent employees, and contract employees. Over the years, there has been considerable variability in the distribution of the workforce. During the time period taken in this data,

the total number of permanent employees has steadily decreased, while the number of contract employees has quickly increased until almost being on par with the total strength of permanent employees by the beginning of the 2023 financial year. Figure 2 reflects a similar direction.

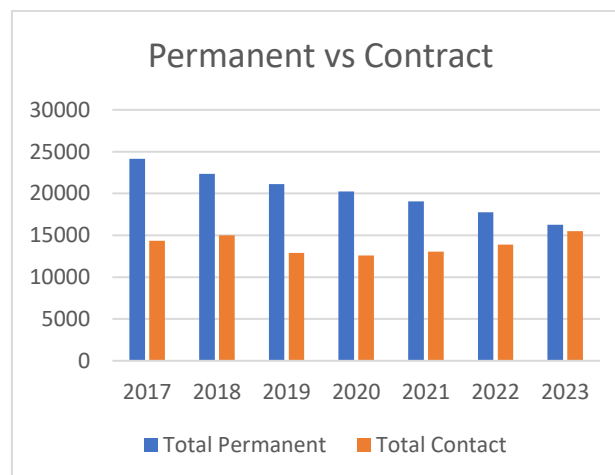


Figure 2: Total Permanent Employees vs Total Contract Employees

The differences seen in Figures 1 and 2 can be attributed to multiple reasons. For example, in the financial years 2019 and 2020, the number of contract labourers fell quite a bit, even though they

enjoy certain advantages over regular non-executive employees. One potential reason for the decline could be due to funerals or workers being "unfit for work" during the global pandemic.

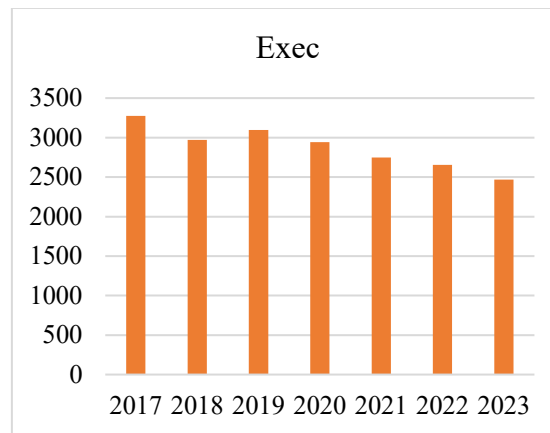


Figure 3: Variation of Executive Employees

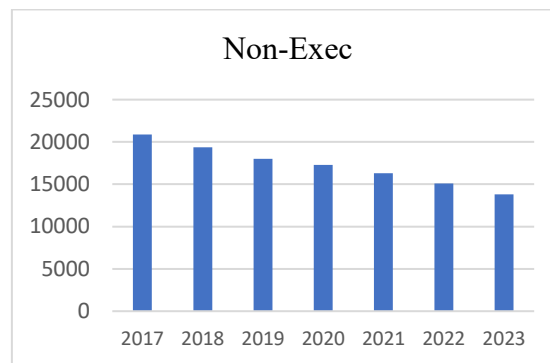


Figure 4: Variation of Non-Executive Employees

As illustrated in Figures 3 and 4, there has been a decline in the number of permanent executive (officer) and non-executive workforce, and the work is increasingly being performed by contractors, as shown by the increasing nature of the contractor headcount. In a healthy industrial relations environment, approximately 70 per cent of the workforce would be employed by the principal employer and 30 per cent would be contracted. At this point, having 100 per cent contracted employees is not sustainable. However, the situation is currently the opposite with contract workers often outnumbering the permanent employees and, in some cases, nearing 100 per cent of the workforce being contracted out. In civil construction sites, often contract workers outnumber permanent employees, with only a few permanent workers filling any seats or positions. Therefore, it is clear that in the current study Bhilai Steel Plant is becoming increasingly reliant on contract labourers.

The history of using contract labour or contract job opportunities stemmed from the objective of getting a piece of work done within a set timeframe, and the worker was paid according to the work accomplished and not the number of

workers. This is a particularly effective approach at organizations and in industries when full-time labour isn't required though it may occasionally be reasonable to have a worker available in case of a surplus of work, and typically for a specific period of time workers are needed when a temporary influx of work results in a temporary shortage of workers to fulfil deadlines. For example, the Bhilai Steel Plant which operates 24/7 and employs thousands of workers has a demand for workers wherein most contract employees are assigned pre-set shifts to properly distribute workload as necessary. The pertinent terms and conditions of employment for contract labourers at Bhilai Steel Plant are subject to the agreements and policies dictated by SAIL, the organization, and the contractors which the organization has employed to provide specific service contracts.

IV. CONCLUSION

Driven by cost-effectiveness and flexibility, this study emphasises how increasingly India's steel industry depends on contract labour. Contract workers sometimes suffer vulnerability, poor pay, and limited benefits even if they are



important members of the manufacturing process. Although laws protect contract workers, including the Contract Labour (Regulation and Abolition) Act of 1970, regular observance of these laws is lacking. The research supports legislative changes ensuring fair pay, improved working conditions, and thorough social protections. While creating a fairer and more sustainable industrial workforce, improving regulatory frameworks and encouraging stable employment will help contract workers to enjoy better welfare.

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