

Press release

C&AG's Audit Report No. 19 of 2018 on statutory requirements in engagement of contract labour by Indian Railways tabled in Parliament today.

Report No. 19 of 2018 of the Comptroller and Auditor General of India- Union Government (Railways) on 'Compliance to statutory requirements in engagement of contract labour by Indian Railways' was tabled in Parliament today.

Parliament has enacted multiple legislations to provide the basic rights, prevent exploitation and ensure better working conditions for the contract labour. Principal legislations for protection of contract labour and to provide better working conditions and benefits to them include Contract Labour (Regulation and Abolition) Act, 1970, Minimum Wages Act, 1948, Employees' Provident Fund and Miscellaneous Provisions Act, 1952 and Employees' State Insurance Act, 1948.

Indian Railways executes a wide range of works for creation, repair and maintenance of its assets. These works are executed through its own workers or through outsourcing them to external agencies. The external agencies work for Railways and engage workmen for execution of these contracts. A large number of these workmen are classifiable under the term '*Contract Labour*'. The statutory provisions of the legislations for protection of contract labour cast obligations both on Indian Railways as 'Principal Employer' as well as the external agencies referred commonly as 'Contractors'.

The present study was taken up with the objective to assess whether the Railway Administration and its contractors complied with the statutory laws and rules and that the Railway Administration has a mechanism in place to monitor the compliance of statutory laws and rules. The Audit covered a period of three years from 2014-15 to 2016-17.

Major Audit findings:

Compliance to the provisions of CLRA, 1970 and CLRR, 1971

As per the provisions of the CLRA, 1970 and CLRR, 1971, the Principal Employers has to get itself registered with the Organisation of Central Labour Commissioner (CLC) and submit returns as prescribed within a time frame to CLC. The contractors are also required to be registered with the CLC and submit returns within the prescribed time frame. They are also required to renew license before the expiry of the same. They are required to provide basic amenities to contract labour. The payments are required to be made to the contract labour following prescribed guidelines and the same should be made through bank/cheque.

Audit reviewed 463 contracts over in nine zonal formations and noticed that

- In 140 contracts, Railway Administration was registered with the Organisation of Central Labour Commissioner. **Para 2.1**
- Railways as Principal Employer submitted Annual Returns to the Organisation of Central Labour Commissioner in 12 contracts only. **Para 2.1.2**
- In 172 contracts, licences were not obtained by the contractors from the CLC. In 34 contracts, the contractors obtained requisite license before commencement of work and in 50 contracts, licenses were obtained after commencement of works after a

delay of upto 750 days. Of these, in 14 contracts licenses were not renewed by the contractors after expiry of its validity.

Para 2.2, 2.2.1, 2.2.2, 2.2.3

- In 285 contracts, the contractors had not submitted any return to the Labour Commissioners' office.

Para 2.2.4

- Audit could not derive assurance regarding provision of rest rooms in 15 *per cent* contracts and provision of drinking water and urinals in 21 *per cent* contracts.

Para 2.3.1, 2.3.2 and 2.3.3

- Payment of wages to the contract labours through Bank/Cheque was ensured only in respect of 82 contracts.

Para 2.4

Compliance to the provisions of MWA, 1948 and MWR, 1950

- Minimum wages were paid in compliance to the provision of MWA, 1948 in respect of 105 contracts only. **Para 2.6.1**
- In 120 contracts, wages for rest days were paid by the contractors and in 62 contracts. **Para 2.6.2**

Compliance to the provisions of EPF & MPA, 1952 and EPFS, 1952

The Act and the Rules formulated therein are aimed to provide the employees in specified establishments, benefits of provident fund, pension and deposit link and incentives. Under the Act, the Principal Employer is required to ensure that the contractors are registered with EPFO, the contract labour employed by him have been allotted PF Account number and that the contribution towards PF is deducted from the contract labour and the same along with contribution from the employers is deposited with EPFO.

- Railway Administration verified the registration of contractor with the EPFO before award of the contracts only in 20 contracts. **Para 3.1.1**

- PF registration was found to be taken by the contractors in 46 contracts. **Para 3.1.2**

- In only 61 contracts, PF Account Numbers of *contract labour* were available. **Para 3.1.3**

Compliance of ESIA, 1948 and ESIR, 1950

The ESIA, 1948 was enacted to provide for certain benefits to employees in case of sickness, maternity and employment injury and to make provision for certain other matters in relation thereto. The Principal Employer is liable to pay contribution in respect of all his employees including contract labour engaged through a contractor and is responsible to deduct the ESI dues from the bills of the contractor, if short/non-deduction/contribution noticed.

- In 116 contracts, contractors were not registered with concerned Regional offices of ESIC, and had not been allotted Employer's code numbers. **Para 4.1.1**

- In 148 contracts, ESI Account numbers were not obtained.

Para 4.1.2

Impact of non-compliance of statutory provisions

- Out of 463 contracts in selected Railway formations results of audit in 312 contracts adverse impact on contract labour has been worked out at 4.02 *per cent* of total contractual payments. The estimated adverse impact on contractual payments in Indian Railways would thus be 4.02 *per cent* of ₹35098 crore, i.e. ₹1410.94 crore. **Para 5.2**