



What is the legal framework for fixed-term employment in the Indian garment industry?

Fixed-term employment has been introduced to the Indian apparel manufacturing sector by the Ministry of Labour and Employment with a notification on 7th October 2016. According to the Government, apparel manufacturing has a seasonal nature. Allowing fixed-term employment would help employers to respond to the fluctuating demand and facilitate the employment of workers.

The Industrial Employment (Standing Orders) Act, 1946 requires employers to define conditions of employment in their industrial establishments. Through the above notification, changes were made in the IE (SO) Act, 1946 and IE (SO) Central Rules, 1946. Most significant changes have been made to Schedule I of the Industrial Employment (SO) Central Rules, 1946 which is the Model Standing Orders in respect of industrial establishments except for coal mines.

The IE (SO) Act formally defines the conditions of employment on which the workman would be engaged for fixed-term.

The Act is however a central (federal) legislation applicable to industrial establishments with 100 or more workers. State governments can amend federal laws concerning labour. Various states have amended the IE (SO) Act, 1946 to make it applicable to industrial establishments with fewer workers.

Are garment factories in India allowed to hire workers on fixed-term contracts?

Yes, factories may hire workers on fixed-term contracts.

A written appointment letter or contract, that states the period of employment, must be provided to the worker. The employment will then come to an end at the expiration of said period.

The employer can directly hire a worker for a fixed-term without mediation of any contractor.

What wages and benefits apply to fixed-term workers?

Short-term workers must be employed under the same working conditions (such as wages, working hours, allowances and other benefits) as permanent workers. This includes PF and ESI coverage. Fixed-term workers are also eligible for all statutory benefits available to a permanent workman proportionately according to the period of service rendered by him/her even though his/her period of employment does not extend to the qualifying period of employment required in the statute. This means fixed-term workers are entitled to annual bonus and leave on a proportional basis.

There are different options on whether fixed-term workers would be entitled to proportional gratuity payments.

No notice or retrenchment pay is due when the contract expires.



What rules apply if a limited contract is terminated before the date defined in the contract is up?

It is recommended to include a clause in the contract that establishes which payments or notice periods are required in case either the factory or the worker wants to terminate the contract before the agreed period for reasons other than misconduct.

Termination for misconduct is governed by the Standing Order.

Can fixed-term contracts be offered to the same worker repeatedly?

The current legislation does not mention anything about the number of times a fixed-term contract can be offered to the same worker. However, if a given factory keeps on renewing the fixed-term contract of workers, it could be held as a misuse of the provision of law if it is established that the use of fixed-term contracts is not to adjust production to seasonality in demand but to evade statutory liabilities that come with permanent workers.