

Labour Laws in Practice: Licensing, Registration and Regulation: A Company Secretary Perspective

Labour regulation in India safeguards worker dignity while enabling competitive enterprise. With the consolidation of more than forty central enactments into four Labour Codes, compliance is moving from a fragmented, inspection-heavy regime to a digitised, system-driven architecture. Promoting ease of doing business in India depends on a strong, transparent, and well-understood regulatory framework. Among the countless compliance areas, Labour Laws ensure the welfare, safety, and fair treatment of workers, while Environmental Laws safeguard natural resources and public health. Together, they shape a sustainable business ecosystem. For Company Secretaries (CSs), the challenge is twofold — ensuring legal adherence while also integrating compliance into a company's operational culture. This article examines the licensing, registration, and regulatory frameworks under Labour Laws, outlines practical compliance challenges, and offers strategies, illustrated with industry examples, to help CS professionals be proactive compliance leaders. The analysis aims to provide not only a theoretical understanding but also actionable insights for practitioners working across industries.



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INTRODUCTION

Labour laws in India have been shaped by two persistent imperatives: protecting worker welfare and enabling industrial growth. For much of the twentieth century, the regulatory philosophy was granular—multiple statutes addressing wages, social security, safety, and dispute settlement. The outcome was a dense ecosystem of registrations, returns, inspections and separate authorities. The ongoing consolidation into four Labour Codes—the Code on Wages (2019), the Industrial Relations Code (2020), the Code on Social Security (2020) and the Occupational Safety, Health and Working Conditions Code (2020)—seeks to simplify, reduce duplication and promote formalisation. Yet, day-to-day compliance remains complex, especially for multistate businesses and enterprises that use contractors extensively. In this landscape the Company Secretary (CS) is uniquely positioned to integrate legal obligations with governance systems, data checks and Board level oversight.

FROM FRAGMENTATION TO CODES: A BRIEF EVOLUTION

India's labour framework has evolved in three phases. First, pre-independence laws like the Factories Act, 1881 and Trade Unions Act, 1926 acknowledged industrialisation but gave limited welfare guarantees. Second, post-independence welfare legislation—Factories Act, 1948; Employees' State Insurance Act, 1948; Employees' Provident Funds Act, 1952; Minimum Wages Act, 1948; Industrial Disputes Act, 1947—embedded social justice into the industrial project. Third, liberalisation and globalisation demanded simplification; the four Labour Codes are the culmination of the above Acts. Courts simultaneously constitutionalised labour rights, reading dignity, safety and fair wages into Article 21. The effect is clear: compliance is not merely statutory—it is part of fundamental rights.

THE COMPLIANCE LANDSCAPE OF TODAY: THREE LAYERS

In every industry, compliance responsibilities usually fall into three stages:

- **Entry (licensing & registration):** Factory licensing under the Factories Act, 1948, registration/licensing for principal employers and contractors under the Contract Labour (Regulation and Abolition) Act, 1970, Shops & Establishments registration for offices, professional tax wherever applicable, and state-specific registrations (e.g., labour welfare funds).
- **Operations (ongoing compliance):** Minimum wages, timely wages, overtime and leave; EPF and ESIC contributions; maintenance of registers; issuance of payslips; safety and welfare facilities; POSH committees; periodic returns and digital filings.

- **Events (special compliance):** Introduced or amended shifts, layoffs, retrenchments, closures, change in ownership, accidents, inspections, and responses to show cause notices. A robust internal calendar with owner-wise actions helps avoid slippages across these layers.

LICENSING AND REGISTRATION ESSENTIALS

- **Factory Licensing & Registration:** Manufacturing premises generally require plan approval and factory licensing. Prerequisites often include a fire safety No Objection Certificate, building stability and electrical safety certificates. Operating without mandatory permissions invites sealing, prosecution or both; several municipal bodies have closed noncompliant units in recent years.
- **Contract Labour (Regulation & Abolition) Act, 1970- Registration and Contractor Licensing:** Principal employers engaging contract labour must register the establishment; contractors require licences indicating worker numbers and validity. Mandatory records include employment cards, muster rolls, wage and overtime registers, and remittance proofs for statutory benefits. Wherever contract labour is significant, the CS should insist on a vendor governance protocol; licence validity tracking, wage bill verification against attendance, and random worker interviews.
- **Shops and Establishments Registration:** Commercial offices—Information Technology (IT)/Information Technology Enabled Services (ITES) centres, sales branches, logistics hubs—must register under state Shops & Establishments laws. These regulate working hours, weekly holidays, leave, and opening/closing times; state rules for nightshift work (e.g., women's safety, transport) need careful attention.
- **Standing Orders / HR Policy Architecture:** Certified Standing Orders spell out classification of workmen, attendance, leave, misconduct and disciplinary procedures. Up-to-date standing orders improve predictability, prevent arbitrary decisions and provide a defensible basis during inspections and litigation.

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Timely and fair wage disbursement is the cornerstone of industrial peace. Despite automation, many companies face compliance issues due to misclassification of workers. In a recently resolved case, a firm was served a show-cause notice by the Labour Enforcement Officer in Jodhpur in March 2022 under the Contract Labour (Regulation and Abolition) Act, 1970. Multiple violations were cited—including missing wage registers, absence of employment cards, and lack of mandatory notices in the workplace. Proactively, the company engaged the Chief Judicial Magistrate's (CJM) court and settled the matter by paying fine on June, 2025, after clarifying compliance status.

This case highlights how a Company Secretary's vigilant oversight—through audits, documentation checks, and responsible legal engagement—can prevent escalations and minimize compliance costs.

Similarly, in **June 2025, services at an ESIC Hospital, in Nagpur** were severely disrupted when over 100 contract workers—including nurses, technicians, pharmacists, and sanitation staff—launched a strike due to non-payment of salaries for three consecutive months. These employees, engaged through a contractor, had repeatedly raised complaints but received no relief until resorting to protest.

The agitation impacted a facility serving huge insured workers and dependents, highlighting how lapses in contractor wage payments can cripple essential services and damage institutional credibility. For Company Secretaries, this incident reinforces the importance of Monitoring wage disbursements where contract labour is engaged, incorporating strict compliance clauses in agreements with contractors, ensuring

timely escalation of wage-related lapses to management and the board and safeguarding not just statutory compliance but also service continuity and institutional reputation.

A Company Secretary led control stack typically includes: (a) master data hygiene (names, UAN, insurance numbers); (b) automated contribution files with maker checker; (c) challan reconciliation and exception dashboards; (d) documented responses to employee queries; and (e) vendor oversight where payroll is outsourced. Inspection stories and news reports repeatedly show that wage register lapses and delayed payments trigger unrest and enforcement. Embedding payroll compliance into governance is therefore both a legal necessity and a retention strategy.

PAYROLL AND WAGES

Accurate payroll is the backbone of compliance. Under the law, employers must pay at least the notified minimum wages, follow rules for deductions and overtime, and issue payslips. On social security, EPF applies to eligible establishments and employees; ESIC provides health and cash benefits to entitled employees. Common failure points include wrong wage component structuring, delayed challans, and mismatch between HRIS data and statutory portals.

SOCIAL SECURITY LEGISLATIONS

Social security compliance is more than a statutory formality; it builds trust with employees. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Employees' State Insurance Act, 1948 and the Maternity Benefit Act, 1961 form the social security net. Several Indian companies including leaders in IT are now offering

expanded retiring benefits such as the National Pension System (NPS) and corporate superannuation schemes in addition to statutory Provident Fund and Gratuity. These enhancements are being made to strengthen employee value propositions and improve retention among skilled professionals. Such measures highlight how statutory compliance can evolve into competitive advantage.

INDUSTRIAL RELATIONS AND DISPUTE MANAGEMENT

The Industrial Disputes Act, 1947 provides a structured framework for dispute resolution, retrenchment, and closure. Compliance is not limited to filing notices; it requires proactive engagement with trade unions and workers. The Industrial Employment (Standing Orders) Act, 1946 requires companies to formalise conditions of service. For CSs, ensuring clarity in service rules reduces litigation.

The Industrial Relations Code updates the law on trade unions, standing orders and dispute resolution. Fixed-term employment offers flexibility while ensuring parity of benefits with permanent workers during tenure. Strikes and lockouts are regulated with notice requirements; establishments above thresholds require prior permission for layoffs/retrenchment/closure.

A CS can derisk change initiatives—automation, shift restructuring, outsourcing—by ensuring prior consultation, transparent communication and documentation of alternatives considered. Where negotiations occur, the Company Secretary should maintain minutes, check statutory timelines, and align management conduct with standing orders and policies.

LAW OF WELFARE AND WORKING CONDITIONS

The Factories Act, 1948 mandates not just licensing but also ongoing obligations such as health, safety, and working conditions. Beyond paperwork, the spirit of the Factories Act, 1948 lies in ensuring humane treatment of workers.

The safety, health and welfare conditions place non-negotiable obligations on ventilation, lighting, sanitation, restrooms, canteens, crèches (where thresholds apply), first aid, machine guarding and training. Fire safety deserves special attention: obtain and renew NOCs on time, conduct evacuation drills and maintain extinguishers, hydrants and alarms. A single incident can shut operations, injure workers and damage reputation. The CS should champion a quarterly safety committee, link incident reports to Board dashboards, and ensure audit findings convert into budgeted corrective actions with owners and due dates.

In 2024, four industrial units in the Chikhali and Talwade areas of Pimpri-Chinchwad were sealed by Pimpri-Chinchwad Municipal Corporation

(PCMC) for failing to comply with fire safety norms, even after receiving multiple notices. Their water and electricity supplies were disconnected to enforce compliance. This real incident underscores the importance of proactive safety audits and compliance monitoring by Company Secretaries to avoid operational shutdowns.

The Contract Labour (Regulation and Abolition) Act, 1970 requires registration of the principal employer and licensing of contractors. Failure here often leads to disputes over worker benefits and liabilities. CS professionals often play a critical role in drafting agreements that balance employer interests with statutory obligations.

The Child and Adolescent Labour (Prohibition and Regulation) Act, 1986 prohibits hazardous child labour and regulates adolescent labour. Companies in supply chains, especially in textiles and handicrafts, must be vigilant, as global buyers increasingly conduct social audits.

JUDICIAL PRECEDENTS AND PRINCIPLES SHAPING COMPLIANCE

Indian courts have progressively constitutionalised labour welfare. Key guideposts include:

- **People's Union for Democratic Rights v. Union of India (1982):** In the *Asiad Workers' Case*, the Supreme Court held that paying workers below the statutory minimum wage amounts to *forced labour* under Article 23 and violates the right to life with dignity under Article 21. This precedent elevated wage compliance from a mere statutory requirement to a constitutional obligation.
- **Bandhua Mukti Morcha v. Union of India (1984):** The Supreme Court expanded labour welfare under Article 21, emphasising that worker dignity is inseparable from industrial growth. The Supreme Court ruled that bonded labour is a direct violation of human dignity and must be eradicated. It held that Article 21, right to life, includes the right of workers to live free from exploitation, thereby embedding labour welfare into constitutional rights.
- **M.C. Mehta v. State of Tamil Nadu (1996):** Child labour in hazardous processes is prohibited with rehabilitation directions. The Supreme Court banned child labour in hazardous industries like fireworks, linking it to the fundamental right to life under Article 21 and the prohibition under Article 24. It also mandated rehabilitation measures, ensuring that compliance extended beyond prohibition to long-term welfare.

These decisions enlarge the canvas of compliance beyond bare statutory text. When a CS elevates wage, safety and grievance systems, the company protects not only itself but also fundamental rights.

ROLE OF THE COMPANY SECRETARY IN COMPLIANCE

The role of a CS in compliance goes far beyond just keeping registers and files up to date. A strong approach combines three aspects: clear strategy and guidance from the top, reliable systems and data to track compliance, and a culture where employees and contractors understand and follow the rules. When these three work together, compliance becomes smoother, stronger, and more meaningful for the whole organisation.

a. Strategy and Governance:

- Maintain a live map of applicable laws like Factories Act, Contract Labour Act, etc across states and track amendments and thresholds.
- Present a quarterly dashboard to the Board/Audit Committee: registrations/licences, inspections, notices, cases, and remediation status.
- Establish systems for payroll compliance, wage disbursement, and social security contributions.
- Integrate labour metrics into ESG narratives—attrition, training hours, safety incidents and gender diversity.
- Engage with regulators through pre-consultation to avoid last-minute compliance hurdles.
- Drive awareness and training among employees and contractors.

b. Systems and Data:

- Collapse Human Resource Information System (HRIS), time office and payroll into an integrated platform; standardise wage components to reduce disputes over PF exclusions/inclusions.
- Build exception monitoring—late challans, negative PF balances, missing UANs, prolonged contractor licence gaps.
- Create an inspection kit: certified copies of licences, registers, policy documents, previous replies and contact lists.

c. Culture and Capability:

- Train line managers and contractors on wage rules, safety basics and documentation.
- Use preshift checklists during peak seasons; conduct periodic mock drills and employee feedback sessions.
- Establish anonymous grievance channels and track closures with timelines.

BEST PRACTICES AND COMPLIANCE STRATEGIES

Adopting proactive strategies can transform compliance into a value-adding function:

- **Early Risk Mapping:** Consider labour implications in site selection, automation choices and vendor strategy; and allocate budget for welfare facilities upfront.
- **Supplier Stewardship:** Flow down wage, safety and social security clauses to contractors; audit high risk vendors and escrow wage payments wherever appropriate.
- **Digital by Default:** Use e-registers and digital signatures where permitted; archive payroll and inspection records in a secure DMS with audit trails.
- **Scenario Planning:** Maintain playbooks for inspections, strikes and accidents with defined roles, holding statements and liaison protocols.
- **Transparent Engagement:** Publish employee charters and grievance mechanisms; engage with unions and worker representatives in good faith.

CONCLUSION

Labour compliance is not a silo; it is a statement of values and a competitive advantage. The Company Secretary who embeds law into governance, data and culture earns trust from boards, investors, regulators and most importantly workers. Done well, compliance lowers friction, reduces disputes, stabilises supply chains and builds a reputation that attracts both talent and capital.

REFERENCES:

- i. *Consolidation into four Labour Codes: official publications and Ministry of Labour notifications provide the current text and state rules.*
- ii. *Contract Labour (Regulation and Abolition) Act, 1970.*
- iii. *Employees' Provident Funds & Miscellaneous Provisions Act, 1952.*
- iv. *Factories Act, 1948.*
- v. *Relevant case law and circulars as published by the Ministry of Labour & Employment.*
- vi. *Supreme Court judgments frequently consulted in this article include: People's Union for Democratic Rights v. Union of India (1982); Bandhua Mukti Morcha v. Union of India (1984); and M.C. Mehta v. State of Tamil Nadu (1996). These decisions constitutionalise wage justice, dignity at work and protection of children.*
- vii. *Websites viz., The Times of India, Hindustan Times, NSE Archives, The Economic Times.*

