

# The Industrial Disputes Act, 1947

The Industrial Disputes Act, 1947 regulates the Indian labour law so far as that concerns trade unions as well as individual workmen employed in any industry in the Indian mainland. It was one of the last legislative act before the passing of the Indian Independence Act of 1947.

## Overview of the Industrial Disputes Act, 1947

A cursory detail of the act is given in the table below:

Charter Act of 1813	
<b>Long Title</b>	An Act to make provision for the investigation and settlement of industrial disputes, and for certain other purposes.
<b>Territorial Extent</b>	Territories under direct British control, later implemented in the Princely States upon their integration with the Indian Union
<b>Enacted by</b>	Central Legislative Assembly
<b>Assented to</b>	11th March 1947
<b>Commenced</b>	1st April 1947

## Objectives of the Industrial Disputes Act, 1947

The act was drafted to make provision for the investigation and settlement of industrial disputes and to secure industrial peace and harmony by providing mechanism and procedure for the investigation and settlement of industrial disputes by conciliation, arbitration and adjudication which is provided under the statute. The main and ultimate objective of this act is "Maintenance of Peaceful work culture in the Industry in India" which is clearly provided under the Statement of Objects & Reasons of the statute.

The Act also lays down:

1. The provision for payment of compensation to the workman on account of closure or lay off or retrenchment.
2. The procedure for prior permission of appropriate Government for laying off or retrenching the workers or closing down industrial establishments

3. The actions to be taken against unfair labour practices on part of an employer or a trade union or workers.

## Controversy Regarding the Industrial Disputes Act, 1947

The act was implemented to provide for machinery and procedure for the investigation and settlement of industrial disputes, applicable to all irrespective of size and sector. It even has provisions regarding conditions for layoffs, retrenchment (reduction in the size of operations) and closure of industry.

This where the controversy regarding the act comes in, particularly regarding Chapter VB. This clause has seen many amendments over the years. The chapter states the following:

1. If an industrial establishment employs more than 50 persons, it needs to give 60 day's notice, citing reasons of closure to the appropriate government before the closure of the industry. It was increased to 90 days in 1982.
2. If the establishment employs more than 300 employees, it must take prior approval of the proper government authority regarding approval for layoffs, retrenchment and closure. This limit was lowered to 100 employees in the 1982 amendment.

These two provisions of Chapter V-B of the Industrial Disputes Act are interpreted as rigidity in the labour market. Simply put, this provision states that employers can not hire and fire at will. To do so they have to seek the permission of the labour commissioner. Since the subject is under the concurrent list, individual states have made even stringent conditions such that lay off, retrenchment and closure become even more difficult.

As a result, it has caused the following problems in the labour industry:

1. Lower output by labour
2. Lower productivity
3. Hesitation in hiring
4. Lower investments
5. Lower overall manufacturing performance
6. Foreign investors are deterred from investing in India.

Apart from Chapter V-B, Section 9-A is also a cause of concern. This section says that if employers are modifying the wages and other allowances, they need to the labour commission a 21 days' notice before. Thus, if employers quickly need to redeploy the employees to meet certain time-bound targets, this practice disallows that.

What the industry demands, is that this law needs rationalization as per the demand of the current era of globalization. The arduousness of this act is what they hold responsible for the

fact that only 6 per cent of the total labour force is employed in organized manufacturing, rest is in the unorganized sector.

The challenge for the governments (centre/state) to make a delicate balance between the labour welfare and industry welfare, because it is argued that if these conditions (chapter V-B and section 9-A) are dissolved, it will give the industrialists a free hand to 'hire and fire' thus snatching away the sheltered environment in which labourers work presently.