

## KEY IMPLICATIONS OF THE INDUSTRIAL DISPUTES AND CERTAIN OTHER LAWS (KARNATAKA AMENDMENT) ORDINANCE, 2020

### 1. INTRODUCTION

The governor of Karnataka on July 31, 2020 promulgated the Industrial Disputes and Certain Other Laws (Karnataka Amendment) Ordinance, 2020 (the “**Ordinance**”) in order to facilitate and boost ease of doing business in the state of Karnataka. The Ordinance brings forth certain significant employer-friendly reforms to the labour laws of Karnataka.

### 2. AMENDMENTS AND IMPLICATIONS

Although the Karnataka state legislative assembly and the Karnataka legislative council are currently not in session, the governor of Karnataka under clause (1) of Article 213 of the Constitution of India, after obtaining necessary instructions from the President of India, promulgated the Ordinance with immediate effect thereby bringing noteworthy changes to the Industrial Disputes Act, 1947 (“**IDA**”), the Factories Act, 1948 (“**Factories Act**”) and the Contract Labour (Regulation and Abolition) Act, 1970 (“**CLRA**”) in the following manner:

| Name of the statute | Amendment(s)  | Implication(s)   |
|---------------------|---|--|
| IDA                 | <ul style="list-style-type: none"> <li>In sub-section (1) of Section 25K, for the words “one hundred”, the words “three hundred” shall be substituted.</li> <li>In sub-section (1A) of Section 25K, for the words “one hundred”, the words, “three hundred” shall be substituted.</li> </ul>              | Industrial establishments with up to 300 (three hundred) workers can now lay-off and/or retrench its workers or close its operation without prior government permission.   |
| Factories Act       | <ul style="list-style-type: none"> <li>In item (i) of clause (m) of Section 2, for the words “ten or more”, the words “twenty or more” shall be substituted.</li> <li>In item (ii) of clause (m) of Section 2, for the words “twenty or more”, the words “forty or more” shall be substituted.</li> </ul> | These amendments limit the premise that constitutes a factory by increasing the threshold from 10 (ten) workers ( <i>with power</i> ) and 20 (twenty) workers ( <i>without the aid of power</i> ) to 20 (twenty) and 40 (forty) workers respectively. Furthermore, the Ordinance also increases the overtime limit for workers from 75 (seventy five) hours per quarter to |

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|      | <ul style="list-style-type: none"> <li>In clause (iv) of sub-section (3) of Section 65, for the words “seventy-five”, the words “one hundred and twenty-five” shall be substituted.</li> </ul> | 125 hours (one hundred and twenty five).   |
| CLRA | <ul style="list-style-type: none"> <li>In item (a) of sub-section (4) of Section 1, for the words “twenty or more”, the words “fifty or more” shall be substituted.</li> </ul>                 | This amendment confines the applicability of CLRA to establishments that have employed at least 50 (fifty) workmen as contract labour. Previously, the law applied to every establishment which employed 20 (twenty) or more workmen as contract labour. |

### 3. INDUSLAW VIEW

The Ordinance’s clear objective is to make it easier to do business in Karnataka and to boost productivity. For instance, the changes in the IDA will enable employers to take swift business decisions in scenarios of retrenchment or lay off. The changes in the Factories Act limit the number of workers to be employed at a premise to constitute a “factory”, thereby significantly reducing the compliance burden for establishments which will be outside the ambit. Similarly, an increase in overtime limit may help employers regain productivity which was lost due to the pandemic. Further, the changes to CLRA may significantly assist in reduction of procedural obligations for several establishments. Most of these reforms were a consequence of the long pending demands of industries given that employers will gain a fair amount of flexibility to alter their workforce as per business requirements and in some instances, also ease the procedural obligations. While this Ordinance is certainly being welcomed by employers, there may be strong criticism on the lines that the Ordinance would not help workers as their rights may get diluted.

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