

COMMENTS & SUGGESTIONS ON

The Small Factories (Regulation of Employment and Conditions of Services) Bill, 2014.

After a long wait, Ministry of Labour Govt. of India is attempting to bring out a single legislation for Small Factories employing less than 40 workers by clubbing 14 existing Acts applicable to the sector. The objective as stated in the bill is to make labour law compliance easier for owners of small factories in India as a part of Govt of India Mission "EASE OF DOING BUSINESS" .

Though the intention is good yet there are serious issues in the draft Bill which if not rectified, it will create more troubles to the Small Factory Owners than what exists at present. After a detailed discussions with more than 7000 Micro & Small Enterprises, Indian Industries Association (IIA) an apex body of MSME in India have come out with its Comments and suggestions in two parts as under:

1. General Observations and Comments
2. Specific Chapter wise and Section wise suggestions with reasons thereof

1. GENERAL OBSERVATIONS AND COMMENTS

(A) Salient features of the Small factories Bill:-

1. Instead of 14 existing acts, single act will be in place- **It is a welcome step.**
2. The Act will be applicable to a factory employing even one worker – **This will create trouble for large number of Micro manufacturing units (more than 95 % of MSEs) who are generally not equipped to maintain proper records.**
3. **On** one side it is a good move by the govt. to address issues of workers by trying to bring the total workforce under social security net. **On the other hand interest of the Micro entrepreneurs has not been taken care of.**

(B) Effects / Concerns to be taken care off: -

1. A Micro entrepreneur who himself is highly insecure is expected to secure his workers.
2. Even after 67 years of independence, the compliance could not be ensured with regulatory framework and inspector raj for up to 10% Units of the total MSE sector. As more than 90% of the MSE sector is un-organised and out of compliance network at present. With the proposed Bill how it will be possible to make it applicable to 100% Small factories?

During the past 67 years Govt. tried to regulate through strong and impractical labour laws. Result is in front of us. It has not served the purpose. Neither the entrepreneurship nor the work force got benefitted with these laws , rather it has led to litigation, corruption, sickness and closers.

3. The proposed Act is going to adversely impact smallest of the small factories.



4. Implementing it without taking Micro Units into confidence and without addressing their concerns will be counter productive. As this legislation in its present form is going to lead towards litigation, corruption, sickness and closers of Small Factories.
5. It will disturb the otherwise smooth industrial and business atmosphere.
6. Small Factory owners are not capable of bearing the extra cost and responsibilities as stated in the Bill. Small Factory owners who are still fighting for their survival will therefore fall prey in the hands of the corrupt Inspectors.
7. At the juncture where Govt. has launched "Make In India" movement, this bill will impact the movement adversely.
8. It will lead to proliferation of Inspector Raj once again. Self-attestation will not work as has been the experience in the past.

(C) Ground Realities of Small Factories:

1. Turnout of Workers in Small Factories is very high. As such there is always a crises on non availability of skilled manpower. Small factories therefore have to keep training the workers all the time at their own cost.
2. Fluctuations in demands for the products manufactured by Small Factories are high. Some of these are seasonal only. As such Small factories are required to increase or decrease the number of workers depending upon the demand. As such it is difficult for them to pay the worker for his idle time.
3. No industry wants to remove good / skilled workers therefore law of last come first go is not practicable in small factories . The Small Factory Entrepreneur generally train their old employees for multi tasking as per the needs hence would not like to loose them even if have to pay for their idle hours in lean periods of the business.
4. Because of complicated rules, regulations and problems Small factory Entrepreneurs resist showing workers on records. Result is that workers don't get any social security.
5. With implementation of social schemes like MGNREGA and subsidized food items to BPL families, industry is not getting workers. Therefore relevance of minimum wages and permanency in MSE is no more relevant. Industry is employing workers on worker's terms. In fact, in today's scenario it is the workers who dictate his terms for employment and not the employer.

(D) IIAs recommendations for possible Solution

1. In the overall interest of the Nation i.e In the interest of making "Make In India" movement successful, In the interest of increasing manufacturing output , In the interest of entrepreneurs, In the interest of workers and in the interest of Generation Next for joining manufacturing sector, it is necessary to make affordable, implementable and user's friendly laws.



2. It is very clear that govt. is interested in bringing long awaited labour reforms. Industry also wants these reforms to happen. These reforms will have long term effect. Therefore the Government should look into all the aspects carefully involving all the stakeholders before implementing the new Act.
3. No law should restrict the freedom of entrepreneur for selecting the workers as per his choice. He has to perform. His risk factor is very high. He is working under adverse conditions in the present competitive world. As such any law which restricts his this freedom will be resisted which leads to litigation and corruption.
4. We propose that the new act should cover only the social security part and contribution of the entrepreneur should be taken in a way that it should be uniform and it is generated from the system without putting any pressure on the entrepreneur.
5. It should be a win-win situation for all the stakeholders. Laws should be such that the entrepreneur is motivated to implement it freely without any supervision. Let's imagine a situation where majority of workers are covered by all the social security measures and entrepreneurs contributes towards it without any complication & happily.
6. We are suggesting 5% additional contribution to the PF account of workers upto 15,000/- salary from skill development fund. A worker getting 5000/- per month at the age of 21 years and contributing to PF(5+5+5=15%) will get 93.58,873/- as cumulative PF and Rs.20,11,647/- as gratuity on retirement at the age of 60 years. (yearly increment of 8% and present interest rate of 8.75% is considered in arriving at the figure.)
7. National level minimum floor rates (suggested in the specific Chapter wise & Section wise suggestions below) are considered on the basis of dependant family of 5 and marriage is not allowed to person less than 21 years of age hence minimum wages of workers between 18 to 21 years are adjusted accordingly.
8. Persons from 14 years to 18 years having no technical education are to be treated as trainees and stipend rates can be fixed accordingly. This sector needs maximum support from skill development fund.
9. The stipend % for ITI, Polytechnic and engineering graduates is already fixed but need to be linked with national floor level minimum wages.
10. Display of registration certificate is to be replaced by display of registration number.
11. Chapter wise General Comments / suggestions:

Chapter- II

- Inspector Raj has been brought back in a different format in this bill. This should be avoided otherwise Small Factories will vanish from India.
- Indian Penal Code is of 1860, that is 155 yrs old, even before Swami Vivekanand was born, (born in 1863), promulgated by Britishers to safe guard their own Interest . If you imply IPC of 1860, no Inspector will be punished for any malafide action taken against any factory.

Therefore do not bring IPC code here, make provision in the present Law itself for erring any Inspector for any malafide action to punish, may be criminal Act. So that no Inspector shall dare enough to trouble any factory.

- Why search and seizure, owner is not a criminal, or not a Terrorist, he gives employment and pays Taxes, if any irregularities proved, serve notice and initiate for closure of Factory, or auction by Tendering.

Chapter -III

- Registration and closure of factory should have Deemed clause, like within 8 days after submission of papers if approval does not come then it is deemed that it is approved.

Chapter- IV

- A Clause for incorporating Penal action and penalty to be deducted from their Salary should be introduced for any Inspector having any malicious activity or harassment of Small Factory Entrepreneur proven by appropriate authority.

Chapter -XI

- Provision for retrenchment of any old worker who creates any trouble or disturbances in the premises of factory should be incorporated.

Chapter- X

- For any dispute resolution there should be a provision to involve, local Associations or Local Chambers of Commerce or both with a tripartite resolution mechanism.

2. SPECIFIC CHAPTER WISE AND SECTION WISE SUGGESTIONS WITH REASONS THEREOF.

Sr. No.	Section in the Bill	IIA's Suggestion	Reasoning & Remark
1	2(d)(i) " in the case of a firm or other association of individuals, any one of the individual partners or members thereof shall be deemed to be the employer"	in the case of a firm or other association of individuals, any one of the individual partners or members thereof shall be deemed to be the employer OR persons appointed to manage the affairs of the factory.	



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2	2(d)(ii) "in the case of a company, any one of the directors shall be deemed to be the employer"	in the case of a company, any one of the directors shall be deemed to be the employer OR persons appointed to manage the affairs of the factory.	
3	2(f) "small factory" means any premises wherein a manufacturing process is carried on and which employs less than forty workers".	Small Factory means a Small Enterprise (Manufacturing) as defined in MSMED Act 2006 having more than 10 workers.	The Govt. has defined small enterprise [manufacture] under the Micro, Small and Medium Enterprises Development Act 2006. The same may be accepted in this law also. Since currently most of the labour laws are applicable only when the number of workers exceeds 10. Therefore, this definition may be accepted. This will also give appropriate relief to the Micro enterprises.
4	2(j)"worker - means a person who is wholly or partly employed whether directly or through any agent or contractor for wages or reward in connection with the work of any small factory to which this Act applies*. *but does not include a person performing administrative, supervisory or managerial functions".	worker means a person who is wholly or partly employed whether directly or through any agent or contractor for wages or reward in connection with the manufacturing activity of any small factory to which this Act applies*. *but does not include a person performing administrative, supervisory, managerial, gardening , security, Housekeeping, Estate management functions and Part time service providers such as Electricians, Mechanics, painters etc.	Thus, Seasonal/ hourly paid workers in small factory , service provider in a small factory viz. electrician, computer repairs, plumbing & sanitation repairer, sweeper for outside premises, painting & colouring workers, construction workers as & when required are called for shall be excluded from the definition of worker.
5	4."Appointment of Chief Inspector and Inspectors:"	Appointment of Chief Factory Counselor and Factory Counselor*: *As such the nomenclature "Chief Inspector and Inspector" all over the Bill should be replaced with "Chief Factory Counselor and Factory Counselor"	The Labour department should change its functions from inspecting to guiding and counseling . This will bring the entrepreneur and the department Officers closer. Entrepreneur should be penalized only if he is a habitual offender and is not implementing the laws deliberately.
6	4.(1) "The appropriate Government may, by notification, appoint Gazetted Officers not below the rank of Deputy Chief Inspector of Factories or Deputy	The appropriate Government may, by notification, appoint Gazetted Officers not below the rank of Deputy Chief Inspector of Factories or Deputy Director- Industrial Safety and	The discretion of laying down standards of inspection should not be left to the individual Officers, it should be uniform all over the country and should be defined clearly by the



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	<p>Director- Industrial Safety and Health, to be the Chief Inspectors, who shall be responsible for laying down the standards of inspection and shall also exercise the powers of an Inspector throughout the State or such geographical limits assigned, in relation to all such small factories.</p>	<p>Health, to be the Chief Factory Counselor, who shall be responsible for implementing the standards of counseling & inspection which will be uniform throughout the country and shall also exercise the powers of an Factory Counselor throughout the State or such geographical limits assigned, in relation to all such small factories.</p>	<p>Ministry of labour in consultation with all the stakeholders.</p>
7	<p>5. Powers of Inspectors.- (1) Subject to any rules made in this behalf, an Inspector may, within the local limits for which he is appointed,-</p> <p>(a) enter, at all reasonable hours, with such assistance (if any) being persons in the service of the Government or any local or other public authority as he thinks fit, any premises or place which is a small factory, for the purpose of conducting an inspection, examining any register or record or notices required to be kept or exhibited by or under this Act, and require the production thereof for inspection;</p> <p>(b) examine any person whom he finds in any such premises or place and who, he has reasonable cause to believe, is a worker of the small factory and ;</p> <p>(c) require any person to give any information, which is in his power to give with respect to the names and addresses of the persons;</p> <p>(d) seize or take copies of such register, record of wages or notices or portions thereof as he may consider relevant in respect of an offence under this Act which he has reason to believe has been committed by the employer; and</p>	<p>Powers of Factory Counselor – Subject to any rules made in this behalf and only after obtaining written permission from the Labour Commissioner/ Chief Factory Counselor,</p> <p>(a) enter, at all reasonable hours with one week written prior intimation, with such assistance (if any) being persons in the service of the Government or any local or other public authority as he thinks fit, any premises or place which is a small factory, for the purpose of conducting an inspection, examining any register or record or notices required to be kept or exhibited by or under this Act, and require the production thereof for inspection;</p> <p>(b) examine any person whom he finds in any such premises or place and who, he has reasonable cause to believe, is a worker of the small factory and ;</p> <p>(c) require any person to give any information, which is in his power to give with respect to the names and addresses of the persons;</p> <p>(d) seize or take copies of such register, record of wages or notices or portions thereof as he may consider relevant in respect of an offence under this Act which he has reason to believe has been committed by the employer; and</p> <p>Provided that the Commissioner of Labour /Chief factory</p>	<p>It is essential to control the Inspector Raj. The visits of inspectors at their sweet will must be stopped once for all. In normal course a police inspector visits only after a written complaint is received by him against the person. The same principle be adopted here also.</p> <p>Not only that the trade union leaders do harasses the entrepreneurs and make a complaint even though the workers are not their members. To protect the small entrepreneur from such unfair practices this provision is essential.</p>



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	(e) Exercise such other powers as may be prescribed.	<p>Counselor shall give permission only in cases of written complaints against the employer by the workers or by the trade union of which the workers are members.</p> <p>(e) To be deleted</p>	The sub clause e i.e. 'exercise such other powers as may be prescribed' is very vague and therefore needs to be deleted. The appropriate rules can take care of such powers.
8	<p>6 Registration of small factory</p> <p>(2) After the receipt of an application under sub-section (1), the registering officer on being satisfied about the correctness of the statement, shall register the small factory and issue a certificate of registration and Labour Identification Number (LIN) to the employer thereof in such form and within such time and subject to such conditions as may be prescribed.</p> <p>(3) The Registration certificate shall be prominently displayed at the small factory and shall be renewed at such intervals as may be prescribed in this respect.</p>	<p>6 Registration of small factory</p> <p>After the receipt of an application under sub-section (1), the registering officer on being satisfied about the correctness of the statement, shall register the small factory and issue a certificate of registration and Labour Identification Number (LIN) to the employer thereof in such form and subject to conditions prescribed under the Rules under this Act within a period of 8 days from the date of receipt of the application.</p> <p>Provided that if the certificate is not issued within a period of 8 days from the date of receipt of this application, it shall be deemed to be issued by the registering authority to the employer concern.</p> <p>(3) The Registration certificate shall be a permanent certificate unless cancelled by the registering authority which shall be displayed prominently at the small factory.</p>	<p>To ensure that the certificate of registration is issued immediately and within specified time limit, this provision in the law is essential.</p> <p>The World Bank report on Doing Business 2015 has specified that the ranking of India has slipped by two numbers again. Last year it was at 152 and now it is 154. The main reason is too much delay in the registration processes. Therefore this provision is imperative.</p> <p>It must be noted that renewal calls for separate additional cumbersome process. In our country where there is permanent Adhar Card, PAN Number, TIN Number and so on. In such circumstances a small entrepreneur should not be involved in the processes of renewals and Registration should also be one time unless it is cancelled.</p>
9	7(2) Wages shall be paid to the workers by depositing them in the bank account of the worker, electronically, Provided that payment of an amount of less than	Wages shall be paid to the workers by depositing them in the bank account of the worker, electronically, Provided that payment of an amount of less than one thousand rupees	In case Bank in which the worker is maintaining his account is far away as often is the case of Small Factories located in the rural areas, it will be difficult for the Worker to



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	one thousand rupees may be made in cash.	may be made in cash. OR in case Bank of the Worker is not available in the periphery of one Kilometer from the Factory.	operate the Bank account or draw cash when needed.
10	<p>9. Minimum Wages: The appropriate government shall extend the rates of minimum wages fixed under the provisions of the Minimum Wages Act, 1948, to the small factories and no employer shall pay less than the minimum wages, so fixed.</p>	<p>9. National Floor Level Minimum Wages: The Central Government shall decide the rate of National Floor Level Minimum Wages uniformly for all categories of Small Factories applicable all over India and no employer shall pay less than the National Floor Level Minimum Wages so fixed.</p> <p>Provided that the rates of minimum wages shall not be decided and declared unless the organizations of micro and small industries are being consulted in advance.</p>	At present the rates of minimum wages are different from factory to factory depending upon the class and product in which the factory falls. We suggest that the minimum wage should be identical irrespective of the class and product.
11	<p>11. Authority to decide claims arising out of nonpayment of wages, illegal deductions or delayed payment of wages, penalties or penalty for malicious or vexatious claims and appointment of Authority to decide such claims.</p> <p>(2) Where contrary to the provisions of this Act any deduction has been made from the wages of an employed person, or any payment of wages has been delayed, such person himself, or any legal practitioner or any official of a registered trade union authorised in writing to act on his behalf, or any Inspector under this Act, or any other person acting with the permission of the authority appointed under sub-section (1), may apply to such Authority for a direction under sub-section :</p> <p>Provided that every such application shall be presented within six months from the date on which the deduction from the wages was made or from the date on which the</p>	<p>11. Authority to decide claims arising out of nonpayment of wages, illegal deductions or delayed payment of wages, penalties or penalty for malicious or vexatious claims and appointment of Authority to decide such claims.</p> <p>(2) Where contrary to the provisions of this Act any deduction has been made from the wages of an employed person, or any payment of wages has been delayed, such person himself, or any legal practitioner or any official of a registered trade union authorised in writing to act on his behalf, or any Inspector under this Act, or any other person acting with the permission of the authority appointed under sub-section (1), may apply to such Authority for a direction under sub-section:</p> <p>Provided that every such application shall be presented within One month from the date on which the deduction from the wages was made or from the date on which the</p>	For early disposal of such cases it is essential that the period of application must not be six months but one month only. Therefore, this change is being suggested.



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	<p>payment of the wages was due to be made, as the case may be:</p> <p>Provided further that any application may be admitted after the said period of six months when the applicant satisfies the authority that he had sufficient cause for not making the application within such period. In that situation however the penalty shall be appropriately reduced.</p> <p>(3) When any application under sub-section (2) is entertained, the Authority shall hear the applicant and the employer or other person responsible for the payment of wages under section 8, or give them an opportunity of being heard, and, after such further inquiry as may be necessary, may, without prejudice to any other penalty to which such employer or other person is liable under this Act, direct the refund to the worker, of the amount deducted, or the payment of the illegally deducted earned wages or delayed wages, together with the payment of such compensation as the authority may think fit, not exceeding ten times the amount not paid or illegally deducted.</p>	<p>payment of the wages was due to be made, as the case may be:</p> <p>Provided further that any application may be admitted after the said period of One month when the applicant satisfies the authority that he had sufficient cause for not making the application within such period. In that situation however the penalty shall be appropriately reduced.</p> <p>(3) When any application under sub-section (2) is entertained, the Authority shall hear the applicant and the employer or other person responsible for the payment of wages under section 8, or give them an opportunity of being heard, and, after such further inquiry as may be necessary, may, without prejudice to any other penalty to which such employer or other person is liable under this Act, direct the refund to the worker, of the amount deducted, or the payment of the illegally deducted earned wages or delayed wages, together with the payment of such compensation as the authority may think fit not exceeding twice the amount not paid or illegally deducted.</p>	<p>The penalty by way of compensation should be in proportion of the deduction and not too heavy providing scope for unfair practices.</p>
12	<p>12(2) No appeal under clause (a) of sub-section (1) shall lie unless the memorandum of appeal is accompanied by a certificate by the authority to the effect that the appellant has deposited the amount payable under the direction appealed against.</p>	<p>12(2) No appeal under clause (a) of sub-section (1) shall lie unless the memorandum of appeal is accompanied by a certificate by the authority to the effect that the appellant has deposited OR provided the Bank Guarantee of the amount payable under the direction appealed against.</p>	<p>Small factory owners are generally hard pressed due to lack of working capital hence bank guarantee should also be accepted.</p>
13	<p>15(2) A young person may be permitted to work in a small factory as a trainee; Provided, that a young person may be permitted to work as a trainee only after the written authorization of the Chief Inspector.</p>	<p>15(2) A young person may be permitted to work in a small factory as a trainee; Provided, that a young person may be permitted to work as a trainee only after the written authorization of the Chief</p>	<p>At times curriculum demands industrial training. As the vocational education is being introduced at school level also, the written communication from the Principal of the School / College should also</p>



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		Factory Counselor OR the Principal of the School / College.	be valid.
14	<p>18. Fixing Hours for Normal Day, etc. (1) Hours of Work (i) No adult worker shall be required to work for more than 48 hours in a week and 9 hours in a day and no worker shall be asked to work continuously for more than 5 hours unless he has been given a break of not less than half an hour provided that limit of working hours or of weekly rest may be relaxed in case of urgent repairs.</p> <p>(ii) The total number of hours of work in a shift including the rest interval shall not exceed 10½ in a small factory and in case a factory is entrusted with intermittent nature of work, urgent repairs the spread over shall not exceed 12 hours.</p> <p>(iv) The total number of overtime hours shall not exceed 96 hours in a quarter.</p>	<p>18. Fixing Hours for Normal Day, etc. (1) Hours of Work (i) No adult worker shall be required to work for more than 72 hours in a week and 12 hours in a day and no worker shall be asked to work continuously for more than 6 hours unless he has been given a break of not less than half an hour provided that limit of working hours or of weekly rest may be relaxed in case of urgent repairs.</p> <p>(ii) The total number of hours of work in a shift including the rest interval shall not exceed 12½ in a small factory and in case a factory is entrusted with intermittent nature of work, urgent repairs the spread over shall not exceed 12½ hours.</p> <p>(iv) The total number of overtime hours shall not exceed 300 hours in a quarter.</p>	<p>Recently the govt. has decided to provide overtime upto 200 hours for the companies under Factories Act. Therefore, the small factories under this Act may be permitted for more overtime and working hours keeping in view the nature of work as well as the needs of the Workers.</p>
15	<p>19. Wages for overtime work (1) Where any worker is required to work on any day in excess of the number of hours constituting a normal working day, he shall be entitled to wages at the rate of twice his ordinary rate of wages.</p>	<p>19. Wages for overtime work (1) Where any worker is required to work on any day in excess of the number of hours constituting a normal working day, he shall be entitled to wages at the rate of 1.5 his ordinary rate of wages.</p>	<p>It has been provided that except bonus all other allowances plus basic wages shall be the ordinary rate of wages. In such circumstances the rate of overtime may be 1.5 for the small entrepreneurs.</p>
16	<p>20. Shift working/rest</p> <p>(ii) The shift shall be rotated weekly or fortnightly. Provided however that no worker will be required or allowed to work for more than a fortnight in a month in a night shift.</p> <p>(v) The period and hours of work in a week for all classes of worker in such shift shall be pasted on the Notice Board maintained at or near the main entrance of the small</p>	<p>20. Shift working/rest</p> <p>(ii) The shift shall be rotated weekly or fortnightly. Provided however that no worker will be required or allowed to work for more than a fortnight in a month in a night shift unless of workers consent.</p> <p>(v) The period and hours of work in a week for all classes of worker in such shift shall be pasted on the Notice Board maintained at or near</p>	<p>Due to the need of the worker, it might happen that the worker himself would prefer to work in the night shift.</p> <p>It will suffice if the period and hours of work are pasted at either place.</p>



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	factory and in the Time office.	the main entrance of the small factory OR in the Time office.	
17	<p>23- Leave and Holidays</p> <p>(3) Every worker who has worked for at least 240 days in a calendar year, shall be entitled to 20 days earned leave in the following year however, a worker who has put in less than 240 days work in the previous calendar year shall be entitled to earned leave proportionate to the working days.</p> <p>(5) A worker shall be entitled to three paid national holidays in a calendar year, namely, Independence Day, Republic Day and Gandhi Jayanti and five such other festival holidays as may be agreed to between employer and the worker, before the commencement of the year.</p>	<p>23- Leave and Holidays</p> <p>(3) Every worker who has worked for at least 240 days in a calendar year, shall be entitled to 12 days earned leave in the following year however, a worker who has put in less than 240 days work in the previous calendar year shall be entitled to earned leave proportionate to the working days.</p> <p>(5) A worker shall be entitled to three paid national holidays in a calendar year, namely, Independence Day, Republic Day and Gandhi Jayanti and five such other festival holidays as may be agreed to between employer and the majority of the workers, before the commencement of the year.</p>	<p>12 days earned leaves instead of 20 days will be enough in Small Factories keeping in view the idle time due to fluctuations in the demand / supply and idle days Small factory owner has to pay.</p>
18	<p>24. Maternity benefits for worker</p> <p>1. A worker shall be entitled to maternity benefits under this Act, if the worker has worked for a period of not less than 60 days in the small factory, before the date of delivery or miscarriage.</p>	<p>24. Maternity benefits for worker</p> <p>1. A worker shall be entitled to maternity benefits under this Act, if the worker has worked for a period of not less than 240 days in the small factory, before the date of delivery or miscarriage.</p>	<p>60 days is too less a period it should be 240 days as is applicable for earned leaves.</p> <p>*Payment of maternity leave should be reimbursed by the Government to encourage women employment in factories. Female employees in small factories should also be entitled under Janani Suraksha Yojana.</p>
19	<p>25. Social Security</p> <p>(1) Provident Fund: Every employer shall ensure that all worker in the small factory are covered by a Provident Fund scheme, approved by the Insurance Regulatory and Development Authority set up under</p>	<p>25. Social Security</p> <p>(1) Provident Fund: Every employer employing more than 10 workers shall ensure that all worker in the small factory are covered by a Provident Fund scheme, approved by the Insurance</p>	<p>(1)The PF liability should be made applicable for factories employing more than 10 workers to take care of the Micro Units. 10 % of the wages is too high percentage for the workers as well as</p>



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	<p>the Insurance Regulatory and Development Authority Act, 1999. Each employer and worker shall contribute ten percent of the wages, basic and DA to this fund, provided that this amount shall not be less than ten percent of the consolidated wages announced by the appropriate government under the Minimum Wages Act, 1948, for that category of worker.</p> <p>(2) Health Insurance: Every employer shall ensure that all worker in the small factory are covered by a Health or Medical Insurance scheme, approved by the Insurance Regulatory and Development Authority set up under the Insurance Regulatory and Development Authority Act, 1999. Each employer and worker shall contribute ten percent of the wages, basic and DA to this fund, provided that this amount shall not be less than ten percent of the consolidated wages announced by the appropriate government under the Minimum Wages Act, 1948, for that category of worker. The Insurance Scheme will include a component for insurance towards injury or death arising out of and in course of employment at a rate not less than that prescribed under the Employees Compensation Act 1923.</p>	<p>Regulatory and Development Authority set up under the Insurance Regulatory and Development Authority Act, 1999. Each employer and worker shall contribute five percent of the wages, basic and DA to this fund, provided that this amount shall not be less than ten percent of the consolidated wages announced by the appropriate government under the National Floor Level Minimum Wages for that category of worker.</p> <p>(2) Health Insurance: Every employer shall ensure that all worker in the small factory are covered by Rastriya Swasthya Bima Yojana, where the contribution of Central and State Governments will have to be paid by the Employer in monthly installments. In addition an insurance policy which include a component for insurance towards injury or death arising out of and in course of employment at a rate not less than that prescribed under the Employees Compensation Act 1923 has to be taken by the employer.</p>	<p>Small entrepreneur in Small Factories hence 5% is a reasonable limit with which both the worker as well as entrepreneur will be comfortable. As stated before this percentage should be linked to National Floor Level Minimum Wages.</p> <p>Govt. of India has already come out with Health Insurance scheme for workers in unorganized sector and Small factories are a close to this sector. Hence RSBY is a practical and convenient alternative for both the workers as well as the entrepreneur.</p>
20	<p>35 Health and safety standards</p> <p>(1) The Central or the appropriate government may through rules under this Act prescribe standards in relation to health, safety and welfare applicable to small factories and update them from time to time. Such standards may:</p> <p>(a) be general (general</p>	<p>*Inspections under electrical safety, fire safety, boiler safety, explosive & weight and measurement should also be covered by the Factory Counselor.</p>	



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	standards'), or apply to specific small factories based on the size and nature of activities undertaken in such factories (specific standards'); *		
21	36 General powers and duties of inspectors in relation to safety and health	<i>All visits to Small Factories should be reported on National / State Portal and the Entrepreneur should be informed one week in advance about such visits.</i>	This will avoid visits undertaken for harassment of the small entrepreneur by vested interests.
22	Chapter XIV Penalties and Miscellaneous provisions Section 44,45,46,47 "provision of imprisonment"	<i>The provision of Imprisonment of the entrepreneur is counterproductive for all concerned including the Government and the workers as he / she is rendered helpless to rectify the offence / arrange for the penalty. At the same time it is highly derogative in most of the cases where entrepreneur has not done the offence knowingly / deliberately but it is committed due to ignorance or lack of knowledge. Hence we strongly propose that the provision of the imprisonment in the act should be abolished.</i>	
23	52. Power to make rules. – (2) Such rules may, among other things, contain detailed procedure regarding registration of small factory and , prescription of registration and / or renewal fee, maintenance of record, manner and form in which the registers are kept, the officers who may be empowered to inspect registers and call for information as required under the Act, the Authority by which and the manner in which the prosecution shall be instituted, the conditions subject to which any exemption under the Act shall be given, the manner in which the employer shall be required to keep exhibited in his	52. Power to make rules. – (2) Such rules may, among other things, contain detailed procedure regarding registration of small factory and , prescription of registration fee, maintenance of record, manner and form in which the registers are kept, the officers who may be empowered to inspect registers and call for information as required under the Act, the Authority by which and the manner in which the prosecution shall be instituted, the conditions subject to which any exemption under the Act shall be given, the manner in which the employer shall be required to keep exhibited in his premises particular	Renewal fee should be deleted as one time registration should be enough unless registration is cancelled.



INDIAN INDUSTRIES ASSOCIATION

AN APEX BODY OF MICRO, SMALL & MEDIUM ENTERPRISES

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	premises particular notices relating to close day, closing and opening hours and such other particulars as may be prescribed, to provide for safeguard of health, safety and welfare of worker.	notices relating to close day, closing and opening hours and such other particulars as may be prescribed, to provide for safeguard of health, safety and welfare of worker.	
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IIA is ready to discuss its views / proposal in detail on the above suggestions in a meeting at appropriate levels urgently .

Pramod Miglani
President

12/01/2015