Labour Law Developments in India

Workers Hired Through Contractors Can't Claim Equal Status as Regular Employees

In the case of *Nandyal Municipality v. K. Jayaram*[1], the Supreme Court of India ("SC") considered this issue, when the employer challenged the High Court orders that granted minimum pay scales to workers engaged through contractors which were the same as those given to regular employees. The SC allowed appeals by the employer while observing that the employer had no direct connection with such contractual staff, as the obligation and responsibility of the employer was to only pay the contractor the agreed amount for the services.

In this case, the staff were engaged by the employer through a third-party contractor since the year 1994. The staff had approached the administrative tribunal seeking to be regularised into the rolls of the employer and payment of the rate and scale as available to regular employees of the employer. The tribunal had ruled against the staff, which led to the matter being challenged in the High Court, whereby the High Court reversed the order and granted the relief to the staff.

Ruling in favour of the employer, the SC observed that the contract between the employer and the contractor was with sufficient safeguards regarding the basic rights of the staff, in as much as it required the contractor to pay necessary minimum wages as well as the make appropriate statutory deductions/contributions in respect of such staff.

It is pertinent to add here that the staff had not claimed that the arrangement with the contractor was illegal, it was more that they were not getting the same benefits as that of regular employees. The SC also observed that if reasonable distinctions are not made between a regular employee and those through a contractor, then the basic concept of hiring through such modes would lose its purpose and sanctity. It also opined that since the employer was a State entity, regular employment with such entity is a public asset and there are safeguards to ensure that the system is transparent. Whereas, in hiring through a contractor, it is the contractor's discretion to decide to whom and through which modes will the staff be sent.

That said, the SC made a directive to the employer on compassionate grounds to look into whether the jobs of such persons could be regularised on posts or not. However, this direction was limited to the special facts and circumstances of this case only.

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[1] Special Leave Petition (Civil) No. 17713/2019, the Supreme Court of India dated December 16, 2025.

Supreme Court Discusses and Clarifies the Different Measures that Ought to be Considered When Contract Workers Claim Regularisation with the Principal Employer

In the case of *M/s Premium Transmission Private Limited v. Kishan Subash Rathod and Ors*[2], certain workmen who were engaged through contractors raised an industrial dispute against the stoppage of their work with the principal employer. The Industrial tribunal granted interim relief in favour of the workmen by directing the principal employer to provide them work at the factory within one month and pay wages to the workmen during the pendency of the case.

The management of the employer challenged the decision of the Industrial Tribunal before the High Court of Bombay, which failed, leading to the matter being ultimately challenged before the SC. It was claimed before the SC that directing the regularisation of workers is dependent on the workers establishing their status vis-à-vis the principal employer and that the interim relief granted by the Industrial Tribunal amounts to a virtual pre-judgement of the whole case.

The SC discussed and considered the scope of "workman" as envisaged under the Industrial Disputes Act, 1947 and the Contract Labour (Regulation and Abolition) Act, 1970. The SC also summarised the different situations and measures established in judicial precedents where there is a discontinuation or discharge of workmen working through a registered contractor.

One of the most salient views was that if the contract between employer and contractor is a sham or ruse to hide the real employer-employee relationship, then in such cases the principal employer will be directed to regularise the workers along with back wages and benefits as if they were regular employees from the start (or a date determined by the tribunal). The SC also discussed that if the discontinuation of the contractor relationship was valid and the principal employer intends to employ regular workmen for work previously done by contract labour, then they must give preference to the erstwhile contract workers.

Basis the above, the SC ruled in favour of the employer and held that the orders of the Industrial tribunal and the High Court were unsustainable and granted liberty to the workmen to request appropriate interim relief from the Industrial tribunal based on the principles it discussed in its judgement.

Ministry Notifies Revised Wage Ceiling for Supervisors under Code on Wages, 2019

The Ministry of Labour and Employment has issued a notification, on 30th January 2026, fixing the wage ceiling for employees in supervisory capacity at ₹18,000 per month under the Code on Wages, 2019 ("Code").

Any person employed in a supervisory role and drawing wages exceeding ₹18,000 per month will now be excluded from the definition of "worker" as envisaged under the Code. This is a significant clarification because the Code consolidates laws relating to minimum wages, payment of wages, bonus, and equal remuneration. Supervisors falling above this threshold will generally not be covered by these worker-specific protections.

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[2] Special Leave Petition (Civil) No. 12192 of 2023, the Supreme Court of India dated January 27, 2026.

Supreme Court Holds State Cannot Perpetually Staff Sanctioned Posts Through Contracts and Deny Regularization

In the case of *Bhola Nath v. State of Jharkhand*[3], the SC ruled that the government, being a model employer, cannot indefinitely engage persons on contractual basis against sanctioned posts and later deny regularization by relying on "no-regularization" clauses in the contract.

The petitioners, Junior Engineers selected through a formal process in 2012, had worked for over a decade with repeated extensions but were suddenly discontinued. The SC held that such long-term engagement on permanent posts, combined with arbitrary discontinuation without reasoned order, is manifestly arbitrary and violates Article 14 of the Constitution. Contractual clauses purporting to bar regularization cannot override fundamental rights, especially where there is unequal bargaining power between the State and the employee.

The SC directed immediate regularization of the employees with all consequential benefits. While the judgment is centred around public-sector employment, it carries important lessons for the private sector as well. Courts are increasingly scrutinising long-term contractual arrangements that resemble permanent employment. Companies using prolonged fixed-term contracts or outsourcing for core, ongoing functions should review their staffing models. Maintaining proper documentation of temporary need, periodic reviews, and fair termination processes can help reduce the risk of disputes or claims for regularization under industrial laws.

Amendments notified to the Shops and Commercial establishments legislation in Delhi

The Government of National Capital Territory of Delhi has notified the Delhi Shops and Establishments (Amendment) Act, 2026 on 9 January 2026, which contains some significant changes to the scope of the aforesaid legislation.

The key changes include revision of the limit of daily working hours, limits of overtime, the maximum hours of continuous work before being entitled to mandatory meal break, total spread over of working hours, overtime and rest in a day, and the conditions for engaging young persons and women in night shifts.

It is recommended for all employers in Delhi to revisit their employment contracts and policies to ensure that the revised conditions are also complied with.

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[3] Special Leave Petition (Civil) No. 30762 of 2024, the Supreme Court of India dated January 30, 2026.

Government Amends the Karnataka Labour Welfare Fund Act, 1965

The Karnataka Labour Welfare (Amendment) Act, 2025 has come into force from 7 January 2026 ("Amendment") which proposes changes to the Karnataka Labour Welfare Fund Act, 1965. The Amendment substantially widens the scope of establishments covered under the aforesaid legislation and also introduces newer forms of making electronic payments in order to comply with its modernises the framework and has the potential to reduce administrative delays. requirements.

Earlier, the law was applicable only to establishments with 50 or more employees, however, it now applies to all establishments employing 10 or more people, thereby including many small and medium units. Further, the Amendment also introduces e-banking systems like Unified Payments Interface (UPI) and online banking systems like National Electronic Funds Transfer (NEFT) and Real Time Gross Settlement (RTGS) in the procedure for contribution to the Labour Board which was earlier only payable by cheque or demand draft. This shift from traditional bank payments to electronic payment methods

Karnataka High Court Clarifies Penalty For Delayed PF Contributions Cannot Be Reduced Below 25% Of Arrears

In the recent case of *The Assistant Provident Fund Commissioner EPFO Vs. M/s Enchanting Travels Pvt. Ltd.*[4], the Karnataka High Court has clarified the penalty imposed on delayed PF contributions. In the case, the Respondent company failed to deposit the PF contributions of two international employees for a period of two (2) years which resulted in the EPF authorities imposing a penalty of INR 3,28,083 under Section 14B for delayed payment. However, the company challenged this before the Central Government Industrial Tribunal (CGIT) which reduced the penalty to INR 25,000.

The High Court overturned the CGIT's order by clarifying that the CGIT cannot reduce the penalty for not depositing the PF contribution for more than six (6) months to an amount which is less than 25% of the arrears. The rationale was that the court in its previous judgement had considered the provisions of Section 14B of EPF Act and had held that the penalty for not depositing the PF contribution for more than six months cannot be reduced to less than 25% of the arrears, which would include the interest. Here, as the delay was more than 2 years, the court resultantly modified the CGIT's order and increased the penalty from INR 25,000 to INR 77,633 which is equal to 25% of the total PF arrears of INR 3,10,534.

[4] W.P. No. 23372 of 2021 (L-PF), Karnataka High Court, decided on 10 February 2026

Labour Courts Continue To Have Jurisdiction Until Tribunals Are Formed Under The Industrial Relations Code

The implementation of the new labour codes has paved the way for compiled legislations with robust compliance mechanisms. However, this transition from the erstwhile laws to the new codes comes with its own challenges. New adjudicating authorities under the Act have not been set up as most State rules are still in the draft stage.

The Karnataka High Court recently clarified[5] how labour disputes should be handled until the new authorities are setup under the labour codes. The court held that although the Industrial Disputes Act, 1947 has been repealed, Labour Courts under the old act will continue to function temporarily until new tribunals are set up through the Code.

Supreme Court of India to consider and reassess the definition of 'industry' as set in a landmark 1978 judicial precedent

The Supreme Court of India has established a 9-judge Constitution Bench, led by Chief Justice Surya Kant, which is considering the scope of the definition of "industry" under the Industrial Disputes Act, 1947 (ID Act). The Court is examining the correctness of the principles determined in the landmark case of Bangalore Water Supply and Sewerage Board v. A. Rajappa (1978).

The arguments were held between 17-19 March 2026 and consisted of a legal discourse on various topics, such as the scope and coverage of the Industrial Disputes Act, 1947, the legislative history and changes that occurred in relation to the definition of "industry", the definition of industry as was sought to be introduced in 1982 and the recently notified Industrial Relations Code, 2020, the inclusion of social welfare or non-profit activities into the definition of "industry" and other relevant issues related thereto.

After the arguments were concluded on 19 March 2026, the Supreme Court reserved its judgement which is expected to be published soon. It is speculated that the judgement will seek to clarify the legal ambiguities that have arisen in the wake of the "industry" definition adopted under the labour codes and also hopefully establish a clear understanding on the scope of how State activities or charitable activities can be treated as industry in order to ensure adequate protections of workers in such establishments.

[5] W.P. No 3784 of 2026, Karnataka High Court, decided on 18 February 2026.

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G&W LEGAL | Advocates and Legal Advisors

Delhi (Regd.): C-9 / 9624, Vasant Kunj, New Delhi -110 070, India

Gurugram: Incuspaze#2, G.F., Plot No.13, Phase 4, Udyog Vihar, Sector 18, Gurugram -122015

Ph.: +91 (124) 4402666 E. info@gnwlegal.com

www.gnwlegal.com