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

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

An Act to regulate the employment and other conditions of service of employees employed in small factories.

Whereas it is expedient to consolidate and amend the laws relating to regulation of employment and other conditions of service in small factories and for certain other purposes.

Be it enacted by Parliament in the sixty-fifth year of the Republic of India as follows:-

Chapter I - Application

1. Short title, extent, commencement and application

(a) This Act may be called the Small Factories (Regulation of Employment and other Condition of Service), Act, 2014.

(b) It extends to the whole of India except the State of Jammu and Kashmir.

(c) It shall come into force from such date as may be notified by the Central Government in the Official Gazette.

Provided that different dates may be notified for different states or union territories.

(d) It shall apply to all small factories.

2. Definitions: In this Act unless the context otherwise requires:-

(a) “appropriate government” in respect of a small factories under this Act shall be the Government of the State or the Union Territory in which such small factory is situated.

(b) “child” means a person who has not completed 14th year of age or such age as may be specified in the Right to Free and Compulsory Education Act, 2009, whichever is more.

(c) “day” means a period of 24 hours beginning at mid night.
(d) “employer” means an owner or a person who has the ultimate control over the affairs of the small factory –

Provided that-

(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;
(ii) in the case of a company, any one of the directors shall be deemed to be the employer;
(iii) in the case of a small factory owned or controlled by the Central Government or any State Government, or any local authority, the person or persons appointed to manage the affairs of the factory by the Central Government, the State Government or the local authority, as the case may be, shall be deemed to be the employer.

(e) “manufacturing process” means any process for-

(i) making, altering, repairing, ornamenting, finishing, packing, oiling, washing, cleaning, breaking up, demolishing, or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal, or
(ii) pumping oil, water, sewage or any other substance, except that petrol pumps will not be covered unless a workshop is a part of the petrol pump; or
(iii) generating, transforming or transmitting power; or
(iv) composing and processing for printing, printing by letterpress, lithography, offset, gravure screen printing, flexography or other similar process or binding; or.
(v) constructing, reconstructing, repairing, refitting, finishing, or breaking up ships or vessels; or any other process which the appropriate government may declare by notification in the Official Gazette.

(f) “small factory” means any premises wherein a manufacturing process is carried on and which employs less than forty workers.
(g) “State” includes Union Territory

(h) “wages” means all remuneration (whether by way of salary, allowances, or otherwise) expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes—

(a) any remuneration payable under any award or settlement between the parties or order of a Court;

(b) any remuneration to which the person employed is entitled in respect of overtime work or holidays or any leave period;

(c) any additional remuneration payable under the terms of employment and includes bonus;

(d) any sum which by reason of the termination of employment of the person employed is payable under any law, contract or instrument which provides for the payment of such sum, whether with or without deductions, but does not provide for the time within which the payment is to be made;

(e) any sum to which the person employed is entitled under any scheme framed under any law for the time being in force, but does not include—

(i) the value of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the appropriate Government;

(ii) any contribution paid by the employer to provident fund or health insurance, and the interest which may have accrued thereon;

(iii) any travelling allowance or the value of any travelling concession;
(iv) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment; or

(v) any gratuity payable on the termination of employment in cases other than those specified in sub-clause (d);

(i) "week" means a period of seven days beginning at midnight on Saturday night or such other night as may be approved in writing for a particular area by the Chief Inspector;

(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*.

(k) “young person” means a person who has attained the age of fourteen but has not completed his eighteenth year of age;

(l) The terms used in this Act but not defined, shall have the same meaning as assigned to them in relevant labour law unless it is repugnant to the context;

*but does not include a person performing administrative, supervisory or managerial functions.
Chapter-II
Authorities under this Act, their duties and powers

3. **Appointment of registering officers:**

   The appropriate Government may, by order to be notified in the Official Gazette -

   (a) appoint such persons not below the rank of Deputy Chief Inspector of Factories or Deputy Director- Industrial Safety and Health, to be the registering officer for the purposes of this Act and

   (b) define the local limits within which a registering officer shall exercise the powers conferred on him by or under this Act and the rules made thereunder.

4. **Appointment of Chief Inspector and Inspectors:**

   (1) 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 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.

   (2) The appropriate Government may, by notification, also appoint such number of officers, as it may think fit, to be Inspectors for the purposes of this Act and may assign to them such local limits as it may think appropriate.

       Provided that other Inspectors of the Labour Department may also be appointed for the enforcement of the provisions of the Act.

       Provided further that the number of Inspectors appointed shall be linked to the number of small factories in an area.

   (3) Every Inspector appointed under this section shall be subject to the control of the Labour Commissioner or Chief Inspector, as the case may be, and shall exercise his powers and perform his functions under this Act subject to general control and supervision of the Labour Commissioner or the Chief Inspector.
(4) The Labour Commissioner and the Chief Inspector, Authority and every Inspector shall be deemed to be public servants within the meaning of section 21 of the Indian Penal Code (45 of 1860).

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,-

(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;

(b) examine any person whom he finds in any such premises or place and who, he has reasonable cause to believe, is an worker of the small factory and ;

(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;

(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

(e) exercise such other powers as may be prescribed.

(2) Any person required to produce any document or to give any information required by an Inspector under sub-section (1) shall be deemed to be legally bound to do so within the meaning of section 175 and section 176 of the Indian Penal Code (45 of 1860).

(3) The provisions of the Code of Criminal Procedure, 1973 (2 of 1974), shall, so far as may be, apply to such search or seizure under sub-section (1) as they apply to any search or seizure made under the authority of a warrant issued under section 94 of the said Code.
Chapter III

Registration of Small Factory

6. Registration of small factory.

(1) Every employer shall get the small factory registered, on payment such fees, as may be prescribed from time to time,-

(a) in relation to his small factory and to which this Act applies on its commencement, within a period of sixty days from such commencement; and

(b) in relation to any other small factory to which this Act may be applicable at any time after such commencement wherein a period of sixty days from the date on which this Act becomes applicable to such small factory and;

(2) The employer shall make an application electronically, on the website of the appropriate government or if that is not operation on the website of the central government, addressed to the registering officer of the appropriate government, for the registration of the small factory alongwith such fee, documents and in such form as may be prescribed.

Provided that the registering officer may entertain any such application after the expiry of the period aforesaid, if he is satisfied that the applicant was prevented by sufficient caused from making the application within such period.

Provided further that the employer may be required to pay such late fee as may be prescribed.

(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.
(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.

(4) Where, after the registration of a small factory under this section, any change occurs in the ownership or management or other prescribed particulars the employer shall intimate the same electronically to the Chief Inspector within thirty days of such change.

(5) Closing of the small factory to be communicated to the Chief Inspector -

The owner or employer of the small factory shall, within fifteen days of his closing the small factory, notify the closure to the Chief Inspector electronically. The Chief Inspector shall, on receiving the information and being satisfied about the nature of closure, and payment of all wages to the workers shall remove such small factory from the register of small factories and cancel the registration certificate.
Chapter IV

Payment of wages and disposal of claims arising out of non payment 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.

7. Payment of Wages
(1) All the worker working in small factory shall be paid before the expiry of the seventh day of the succeeding month.

Provided that where the employment of any person is terminated by or on behalf of the employer, the wages, earned by him shall be paid before the expiry of the second working day from the day on which his employment is terminated.

(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 one thousand rupees may be made in cash.

(3) In case the worker does not have an account in a bank, it shall be the responsibility of the employer to get a zero balance account opened.

8. Responsibility for payment of wages.- (1) An employer shall be responsible for payment of wages to each worker employed by him and such wages shall be paid as per section 7.

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.

10. Deductions:
(1) The wages of a worker shall be paid to him without deduction of any kind except those specified in sub-section (2).
Explanation.- Every payment made by the worker to the employer or his agent or the manager shall for the purpose of this Act be deemed to be a deduction from wages.

(2) Deductions from the wages of an employee shall be of one or more of the following kinds, namely

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<td>(i)</td>
<td>Deductions for absence from duty;</td>
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<td>(ii)</td>
<td>Deductions for damage to or loss of goods expressly entrusted to the employed person for custody, or for loss of money for which he is required to account, where such damage or loss is directly attributable to his neglect or default;</td>
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<td>(iii)</td>
<td>Deductions for house accommodation supplied by the employer;</td>
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<td>(iv)</td>
<td>Deductions for such amenities and services supplied by the employer as the Government may by general or special order authorise;</td>
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Explanation.- The words 'amenities and services' in this clause do not include the supply of tools and protective required for the purpose of employment.

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<td>(v)</td>
<td>Deductions for the recovery of advances or for adjustment of over-payments of wages, provided that such advances do not exceed an amount equal to wages for two calendar months of the employed person and; in no case, shall the monthly instalment of deduction exceed one-fourth of the wages earned in that month.</td>
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<td>(vi)</td>
<td>Deductions of income-tax payable by the employed person;</td>
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<td>(vii)</td>
<td>Deductions required to be made by order of a Court or other competent authority;</td>
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<td>(viii)</td>
<td>Deductions for subscription to, and for repayment of advances from, any provident fund</td>
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<td>(ix)</td>
<td>Deductions for payment to co-operative societies or to a scheme of insurance approved by the Government.</td>
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<td>Deductions for subscription to health insurance scheme.</td>
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(3) Any employer desiring to impose a fine on an employed person or to make a deduction for damage or loss caused by him shall explain to him personally and also in writing the act or omission or the damage or loss, in respect of which the fine or deduction is proposed to be imposed or made, and give him an opportunity to offer any explanation in the presence of another person. The amount of the said fine or deduction shall also be intimated to him.
(4) The amount of fine or deduction mentioned in sub-section (2) shall be such as may be specified by the Government. All such deductions and realizations thereof shall be recorded in a register maintained in a form as may be prescribed.

(5) The amount of fine imposed under sub-section (2) shall be utilised in accordance with the directions of the Government

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.

(1) The appropriate government may, by notification in the Official Gazette, appoint a Presiding Officer of any Labour Court, constituted under the Industrial Disputes Act, 1947 (14 of 1947) or under any corresponding law relating to the investigation and settlement of industrial disputes in force in the State or any officer not below the rank of Deputy Labour Commissioner or other officer with experience as a Judge of a Civil Court to be the authority to hear and decide for any specified area all claims arising out of deductions from the wages, or delay in payment of the wages, of worker employed or paid in that area, including all matters incidental to such claims:

Provided that where the State Government considers it necessary so to do, it may appoint more than one Authority for any specified area and may, by general or special order, provide for the distribution or allocation of work to be performed by them under this Act.

(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 (3):
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 payment of the wages was due to be made, as the case may be:

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.

(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.

Provided that no direction for the payment of compensation shall be made in the case of delayed wages if the authority is satisfied that the delay was due to--
(a) a bona fide error or bona fide dispute as to the amount payable to the worker, or
(b) the occurrence of an emergency, or the existence of exceptional circumstances, such that the person responsible for the payment of the wages was unable, though exercising reasonable diligence, to make prompt payment, or
(c) the failure of the worker to apply for or accept payment.

(4) If the authority hearing an application under this section is satisfied--
(a) that the application was either malicious or vexatious, the Authority may direct that a penalty not exceeding twenty five percent of the claimed amount be paid to the employer or other person responsible for the payment of wages, by the person presenting the application.

(5) Where there is any dispute as to the person or persons being the legal representative or representatives of the employer or of the worker, the decision of the authority on such dispute shall be final.

(6) Any inquiry under this section shall be deemed to be a judicial proceeding within the meaning of sections 193, 219 and 228 of the Indian Penal Code (45 of 1860).

(7) Any amount directed to be paid under this section may be recovered on an application made by the Inspector -
   (a) if the Authority is a Magistrate, by the Authority as if it were a fine imposed by him as Magistrate, and
   (b) if the Authority is not a Magistrate, by any Magistrate to whom the Inspector makes application in this behalf, as if it were a fine imposed by such Magistrate.

   Provided that the Magistrate before whom such application of recovery has been presented shall not conduct any further proceedings regarding the vires and legality of the order of the Authority.

(8) The appropriate Government, for reasons to be stated in writing, may, withdraw any proceeding from one Authority and assign it to another Authority for the disposal of the case subject to special directions, in the order of transfer to the Authority, to proceed either de-novo or from the stage at which it was so transferred.

(9) Single application in respect of claims from unpaid group

   (i) Workers are said to belong to the same unpaid group if they are borne on the same establishment and if deductions have been made from their wages in contravention of this Act for the same cause and during the same wage-period or periods or if their wages for the same wage-period or periods have remained unpaid after the day fixed for payment of wages.
(ii) A single application may be presented under section 7 on behalf or in respect of any number of workers belonging to the same unpaid group and in such case every worker on whose behalf such application is presented may be awarded compensation as specified in sub-section (3).

(iii) The authority may deal with any number of separate pending applications presented, in respect of persons belonging to the same unpaid group as a single application presented under sub-section (ii) of this section and the provisions of that sub-section shall apply accordingly.

12. Appeal

(1) An appeal against an order dismissing either wholly or in part an application made under sub-section (2) of section 11 or against a direction made under sub-section (3) or sub-section (4) of that section may be preferred within thirty days of the date on which the order or direction was made, to the Labour Commissioner -

(a) by the employer or other person responsible for the payment of wages under section 8; or

(b) by a worker 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 permitted by the authority to make an application under sub-section (2) of section 11; or

(c) by any person directed to pay a penalty under sub-section (4) of section 11.

(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.
(3) Save as provided in sub-section (1) any order dismissing either wholly or in part an application made under sub-section (2) of section 11 or a direction made under sub-section (3) or sub-section (4) of that section shall be final.

(4) Where an employer prefers an appeal under this section the authority against whose decision the appeal has been preferred may and if so directed by the court referred to in sub-section (1) shall, pending the decision of the appeal withhold payment of any sum in deposit with it.

13. Powers of Authority

Every Authority appointed under sub-section (1) of section 11 shall have all the powers of a civil court under the Code of Civil Procedure 1908 (5 of 1908) for the purpose of taking evidence and of enforcing the attendance of witnesses and compelling the production of documents and every such authority shall be deemed to be a civil court for all the purposes of section 195 and of Chapter XXVI of the Code of Criminal Procedure 1973 (2 of 1974).

14. Payment of Bonus: Every employer shall, within a period of six months of the close of accounting year, pay bonus, at the rate of 8.33 percent of the wages earned by the worker during the accounting year.
15. Prohibition of employment of children and young persons,-

(1) No child shall be employed or permitted to work in any small factory. The onus to establish the age of a person will be on the employer.

(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.

16. No Discrimination against female workers:

No female worker shall be discriminated against in matters of recruitment, training, transfers or promotions or payment of wages.

17. Responsibility of employer to issue Appointment letters;

The employer shall issue to every worker, a letter of appointment immediately on the joining of duties by the worker. Such letters of appointment shall contain the following namely:

i) The name of the employer
ii) The name and the postal address of the establishment, and the name of its website.
iii) The name of the worker and the designation and categorization if any.
iv) Wages
v) Probation period if any
vi) The hours of work
vii) Date of appointment
viii) Age of the worker and Age of superannuation
ix) LIN- Registration number of the small factory.

Provided that the employer may lay down other conditions and details thereof.
CHAPTER VI
HOURS OF WORK

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.

(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.

(iii) No woman shall be required or allowed to work in any factory except between the hours of 6 A.M. and 7 P.M.: Provided that where the appropriate Government or any person, authorised by it in this behalf, is satisfied that adequate safeguards exist in a factory as regards occupational safety and health, provision of shelter, rest rooms, lunch rooms, night crèches and ladies' toilets, equal opportunity for women workers, adequate protection of their dignity, honour and safety, protection from sexual harassment, and their transportation from the factory premises to the door step of their residence or vice versa, it may, by notification in the Official Gazette, allow women to work between 7.00 P.M. and 6.00 A.M. in such factory subject to such conditions as may be specified therein:

Provided further that no such permission shall be granted to a woman worker during a period of sixteen weeks before and after her childbirth, of which at least eight weeks shall be before the expected childbirth, and for such additional period, if any, as specified in the medical certificate stating that it is necessary for the health of the woman worker or her child:
Provided also that the restriction contained in the preceding proviso may be relaxed at the express request of a woman worker on the basis of the medical certificate stating that neither her health nor that of her child will be endangered.

(iv) The total number of overtime hours shall not exceed 96 hours in a quarter.

(2) The appropriate Government may make rules to,-

(a) fix the number of hours of work which shall constitute a normal working day for the worker employed in a small factory and , inclusive of one or more specified intervals;

(b) provide for a day of rest in every period of seven days which shall be allowed to all the worker employed in the small factory and for the payment of remuneration in respect of such days of rest;

(c) provide for payment of work, on a day of rest, at a rate not less than the double the rate of his ordinary wages.

(3) The provisions of sub-section (1) shall, in relation to the following classes of worker employed in such small factory, apply only to such extent, and subject to such conditions, as may be prescribed, namely :-

(a) worker engaged on urgent work, or in any emergency which could not have been foreseen or prevented;

(b) worker engaged in the nature of preparatory or complementary work which must necessarily be carried on outside the normal hours of work laid down in the rules;

(c) worker engaged in any work which for technical reasons has to be completed before the day is over;

(d) worker engaged in a work which could not be carried on except at times dependent on the irregular action for natural forces.

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.
(2) For the purpose of this section, “ordinary rate of wages” means the basic wages plus such allowances as the worker is for the time being entitled to but does not include any bonus.

20. **Shift working/rest**

(i) More than one shift may be worked in a small factory. If more than one shift is worked, the worker may be required to work in any shift.

(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.

(iii) A small factory may work on all days in a week however, every worker shall be allowed at least twenty four consecutive hours of rest (weekly holiday).

(iv) Shift working may be discontinued after pasting a Notice on the Notice Board, displaying it on the website of the small factory or establishment and by sending a copy to the Chief Inspector by email.

(vi) 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 factory and in the Time office.

21. **Attendance and late coming**

Worker shall commence and cease work at the time fixed and notified from time to time by the employer. The worker shall mark their presence, entry and exit, electronically or by punching cards or by initialing on an attendance register, as may be or in practice from time to time.

22. **Absence**

(i) Any worker who after marking his presence through prevailing system of attendance is found absent from his proper place of work without permission, shall be liable to be treated as absent from duty for the period of such absence.

(ii) An worker absent from his place of work during duty hours without proper permission, shall be treated as absent for the whole day, in case the absence commences before the lunch break
and for half-day, if his absence commences after the lunch break. Provided that this will be without prejudice to any disciplinary action which may be initiated against him by the employer.

(iii) If ten or more worker, acting in concerted manner remain absent from duty without due notice and reasonable cause, the employer shall be entitled to mark them absent and deduct eight days wages of each worker.

**Explanation:** For the purposes of this section a worker shall be deemed to be absent from the place where he is required to work if although present in such place he refuses in pursuance of a stay-in strike or for any other cause which is not reasonable in the circumstances to carry out his work.

A worker shall be deemed to be absent if the worker fails to attend his duty unless he has obtained prior permission for such absence from the competent authority and in case of unforeseen circumstances, made an application to this effect within forty eight hours of the commencement of the absence.

### Chapter VII

**Leave and holidays**

23. **Leave and Holidays**

1. Every worker shall be allowed a weekly holiday with wages. Provided that State Government may fix different days as weekly holidays for different small factories or areas.

2. Every worker shall be entitled to seven days’ casual and seven days sick leave, with wages in every calendar year. Such leave shall be credited into the account of the worker on a quarterly basis. A worker may be permitted to avail casual leave for sickness if the worker does not have any sick leave. The sick leave will be sanctioned on the basis of the medical certificate issued by the qualified medical practitioner recognized under the Insurance policy issued under section 20(2) or such other medical practitioner recognized by the employer by an order displayed on the notice board of the small factory.
(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.

(4) A worker shall be permitted to accumulate earned leave upto a maximum of 45 days. However if the employer refuses to sanction the leave due, when applied 15 days in advance, then the worker will have a right to encash leave in excess of 45 days. Provided further that if an worker entitled to leave under this section is discharged by his employer before he has been allowed the leave, or if, having applied for and having been refused the leave, he quits his employment on account of retirement, resignation, death or permanent disability, the employer shall pay him full wages for the period of leave due to him.

(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.

24. **Maternity benefits for worker**

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.

2. A worker shall be entitled to paid maternity leave of 90 days towards maternity benefit.

3. A worker shall be entitled to 30 days paid maternity leave in case of miscarriage.
Chapter VIII
Social Security

25. Social Security

(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 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.

(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.

(3) Gratuity: Every employer wherein ten or more worker are employed or were employed on any day, shall pay gratuity at the rate of fifteen days wages for each year of service to every worker who has worked for not less than sixty months.
Provided that the completion of sixty months shall not be mandatory in case of death or grievous injury resulting in total disablement of the worker.

Provided further that for computing the length of total service, a service of more than six months in the last year, shall be counted as a full year and if the service is less than six months it shall be ignored.

Provided further that every employer shall ensure that all worker in the small factory are covered by a Gratuity Insurance scheme, approved by the Insurance Regulatory and Development Authority set up under the Insurance Regulatory and Development Authority Act, 1999 or by Life Insurance Corporation of India. The Insurance cover shall include the amount already payable under the Payment of Gratuity Act, 1972 on the date of the enforcement of this Act.

(i) No worker employed in any industry who has been in service for not less than two hundred and forty days in twelve consecutive calendar months and thereafter under an employer shall be retrenched by that employer until--

(a) the worker has been given one month’s notice in writing indicating the reasons for retrenchment or given one month’s wages in lieu of the notice;
(b) the worker has been paid, at the time of retrenchment, compensation which shall be equivalent to fifteen days’ wages for every completed year of service or any part thereof in excess of six months which is electronically deposited in the account of the worker;

Provided that retrenchment does not include termination of service on account of retirement on superannuation and / or disablement, disciplinary proceedings, abandonment by the worker or the refusal of the worker to resume work.

(ii) Procedure for retrenchment. Where any worker in an industrial establishment, who is a citizen of India, is to be retrenched and he belongs to a particular category of workers in that establishment, in the absence of any agreement between the employer and the worker of the small factory in this behalf, the employer shall ordinarily retrench the worker who was the last person to be employed in that category, unless for reasons to be recorded the employer retrenches any other worker.
Chapter X
Disputes and Unfair Labour Practices

27 Disputes and Unfair Labour Practices:

(1) Where any employer discharges, dismisses, retrenches, or otherwise terminates the services of an individual worker, any dispute or difference between that worker and his employer connected with, or arising out of, such discharge, dismissal, retrenchment or termination shall be deemed to be an industrial dispute notwithstanding that no other worker nor any union of workers is a party to the dispute. The worker may raise his dispute before the Conciliation Officer appointed under the Industrial Disputes Act, 1947 and having jurisdiction in respect of the area where the small factory is situated. In the event of the dispute not being settled within 45 days of filing the dispute before the Conciliation Officer, the worker may submit his statement of claim before the Labour Court and on receipt of such application the Labour Court shall have powers and jurisdiction to adjudicate upon the dispute, as if it were a dispute referred to it by the appropriate Government in accordance with the provisions of the Industrial Disputes Act, 1947 and all the provisions of the Industrial Disputes Act, 1947 shall apply in relation to such adjudication as they apply in relation to an industrial dispute referred to it by the appropriate Government.

(2) Collective dispute: Not less than fifty one percent of the workers, directly or through a trade union of workers, may raise a dispute about general demands before the Conciliation Officer appointed under the Industrial Disputes Act, 1947 and having jurisdiction in respect of the area where the small factory is situated. In the event of the dispute not being settled within 90 days of filing the dispute before the Conciliation Officer, the workers or the trade union may submit a statement of claim before the Labour Court and on receipt of such application the Labour Court shall have powers and jurisdiction to adjudicate upon the dispute, as if it were a dispute referred to it by the appropriate
Government in accordance with the provisions of the Industrial Disputes Act, 1947 and all the provisions of the Industrial Disputes Act, 1947 shall apply in relation to such adjudication as they apply in relation to an industrial dispute referred to it by the appropriate Government.

(3) The provisions of the Industrial Disputes Act, 1947 relating to implementation of awards shall apply mutatis mutandis to all awards.

28. UNFAIR LABOUR PRACTICES. -

In this Act, unless the context requires otherwise, ‘unfair labour practices’ mean any of the practices listed in Schedule _______.

29. PROHIBITION ON ENGAGING IN UNFAIR LABOUR PRACTICES. -

No employer or union and no worker shall engage in any unfair labour practice.

30. PROCEDURE FOR DEALING WITH COMPLAINTS RELATING TO UNFAIR LABOUR PRACTICES. -

(1) Where any person has engaged in or is engaging in any unfair labour practice, then any union or any worker or any employer or any Inspector may, within ninety days of the occurrence of such unfair labour practice, file a complaint before the Labour Court having jurisdiction over the area in which the small factory is situate:

Provided that, the Court may entertain a complaint after the period of ninety days from the date of the alleged occurrence, if good and sufficient reasons are shown by the complainant for the late filing of the complaint.

Provided further that, where the complaint relates to more than one worker, then all the workers shall support the complaint, in writing, at the time of filing of the complaint and where the complaint has been filed by the union, such union will also have to show support by appending signatures of at least fifty percent of the workers in that small factory.
(2) The Court shall take a decision on every such complaint as far as possible within a period of six months from the date of receipt of the complaint.

(3) The decision of the Court, which shall be in writing, shall be in the form of an order.

The order of the Court shall be final and shall not be called in question in any civil or criminal court.

(4) The Court shall cause its order to be published on the notice board of the Court, and also send a copy of the order to the parties to the case. The order of the Court shall become enforceable from the date specified in the order.

(5) The Court shall forward a copy of its order to the State Government for publication on the Web site or notice board of the Labour Department of the State.

31. PARTIES ON WHOM ORDER OF COURT SHALL BE BINDING. -

An order of the Court shall be binding on -

(a) all parties to the complaint;

(b) all parties who were summoned to appear as parties to the complaint, whether they appear or not, unless the Court is of opinion that they were improperly made parties;

(c) in the case of an employer who is a party to the complaint before such Court in respect of the undertakings to which the complaint relates, his heirs, successors or assigns in respect of the undertaking to which the complaint relates; and

(d) where the party referred to in clause (a) or clause (b) is composed of employees, all persons, who on the date of the complaint, are employed in the undertaking to which the complaint relates and all persons who may be subsequently employed in the undertaking.

32. POWERS OF THE LABOUR COURTS. -
(1) Where a Court decides that any person named in the complaint has engaged in, or is engaging in, any unfair labour practice, it may in its order -

(a) declare that an unfair practice has been engaged in or is being engaged in by that person, and specify any other person who has engaged in, or is engaging in the unfair labour practice;

(b) direct all such persons to cease and desist from such unfair labour practice, and take such affirmative action (including payment of reasonable compensation to the employee or employees affected by the unfair labour practice, or reinstatement of the employee or employees with or without back wages, or the payment of reasonable compensation), as may in the opinion of the Court be necessary to effectuate the policy of the Act;

(c) where a union recognised by the employer has engaged in or is engaging in, any unfair labour practice, direct that its recognition shall be cancelled or that all of any or its rights under the Trade Unions Act, 1923, shall be suspended.

(2) In any proceeding before it under this Act, the Court, may pass such interim order (including any temporary relief or restraining order) as it deems just and proper (including directions to the person to withdraw temporarily the practice complained of, which is an issue in such proceeding), pending final decision:

Provided that, the Court may, on an application in that behalf, review any interim order passed by it.

(3) For the purpose of holding an enquiry or proceeding under this Act, the Court shall have the same powers as are vested in Courts in respect of -

(a) proof of facts by affidavit;

(b) summoning and enforcing the attendance of any person, and examining him on oath;

(c) compelling the production of documents; and

(d) issuing commissions for the examination of witnesses.
(4) The Court shall also have powers to call upon any of the parties to proceedings before it to furnish in writing, and in such forms as it may think proper, any information, which is considered relevant for the purpose of any proceedings before it, and the party so called upon shall thereupon furnish the information to the best of its knowledge and belief, and if so required by the Court to do so, verify the same in such manner as may be prescribed.
Chapter XI
Health and safety in small non-hazardous factories

33. General Obligations of the employer.

(1) Every employer shall ensure, so far as is reasonably practicable, the health, safety and welfare of all workers while they are at work in the small factory.

(2) Without prejudice to the generality of the provisions of sub-section (1), the matters to which such duty extends, shall include-
(a) the provision and maintenance of plant and systems of work in the small factory that are safe and without risks to health;
(b) the arrangements in the small factory for ensuring safety and absence of risks to health in connection with the use, handling, storage and transport of articles and substances;
(c) the provision of such information, instruction, training and supervision as are necessary to ensure the health and safety of all workers at work;
(d) the maintenance of all places of work in the small factory in a condition that is safe without risks to health and the provision and maintenance of such means of access to, and egress from, such places as are safe and without such risks;
(e) the provision, maintenance or monitoring of such working environment in the small factory for the workers that is safe, without risks to health and adequate as regards facilities and arrangements for their welfare at work.

(3) Except in such cases as may be prescribed, every employer shall follow the Model Safety Policy as prescribed in Schedule --. The employer may, as often as may be appropriate, revise, the Model Safety Policy with respect to the health and safety of the workers at work and the organisation and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision thereof to the notice of all the workers in such manner as may be prescribed.
(4) No employer shall require a worker to incur any expenditure for the purpose of compliance with health and safety measures as specified pursuant to the provisions of this Chapter.

(5) The employer shall not take measures prejudicial to any worker because, the worker in good faith and on reasonable grounds,
(a) drew the employer’s attention to a breach of health and safety law or a serious inadequacy in the measures taken by the employer in respect of health and safety and the working environment;
(b) acted in accordance with section 38; or
(c) communicated with an inspector directly or through a representative in relation to compliance with this Chapter.

34 General Obligations of the workers
(1) A worker shall, in the course of performing work, and so far as the worker is reasonably able,
(a) take care of the worker’s own health and safety and that of other workers;
(b) co-operate, in the fulfilment by the employer of the obligations placed upon the employer in section 33; and
(c) comply with the standards in section 35.

(2) No worker shall willfully interfere or misuse or neglect to use any appliance, convenience or other items provided in the small non-hazardous factory for the purpose of securing health, safety or welfare of workers therein, or do anything that is likely to endanger the worker or any other person.

35 Health and safety standards
(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:
(a) be general (‘general standards’), or apply to specific small factories based on the size and nature of activities undertaken in such factories (‘specific standards’);
(b) permit appropriate Governments to prescribe more detailed Rules in respect of any standard, in which case the appropriate Government may make such Rules.

36 General powers and duties of inspectors in relation to safety and health

(1) An inspector has the powers to enforce and execute the provisions of this Chapter, including, but not limited to:

(a) providing information and advice about compliance with this Act;
(b) assisting in the resolution of work health and safety issues at small factories; and
(c) requiring compliance with this Act through measures including the issuing of notices.

(2) An inspector is subject to the Chief Inspector’s directions in the exercise of the inspector’s compliance powers. A direction may be of a general nature or may relate to a specified matter or specified class of matter.

(3) The appropriate Government may, make Rules providing for consistent, targeted and effective use of inspector powers.

37. Special powers of inspectors with respect to health and safety: remedial actions:

(1) This section applies in addition to other powers of inspectors specified in this Act.

(2) If an Inspector reasonably believes that a person (including an employer, manager, supervisor or worker) is contravening a provision of this Act or has contravened a provision in circumstances that make it likely that the contravention will continue or be repeated, the Inspector may issue an improvement notice requiring the person to remedy the contravention or prevent a likely contravention from occurring.
(3) An improvement notice must state:
(a) that the inspector believes the person is contravening a provision of this Act or has contravened a provision in circumstances that make it likely that the contravention will continue or be repeated; and
(b) the specific provision and, briefly, how the provision is being, or has been, contravened; and
(c) the day by which the person is required to remedy the contravention or likely contravention.

(4) An improvement notice may include directions concerning the measures to be taken to remedy the contravention or prevent the likely contravention. The day stated for compliance with the improvement notice must be reasonable in all the circumstances.

(5) A person must comply with a notice given under this section, and any contravention thereof shall be punishable in accordance with the provisions of this Act.

(6) A person to whom an improvement notice is issued may appeal against the improvement notice to the Chief Inspector who may confirm, amend or cancel the notice.

38. Imminent danger to life or health

(1) This section will apply if a situation arises in which there is a likelihood of both, imminent and serious danger to life or health.
(2) If the workers have a reasonable apprehension of imminent and serious danger, the workers may, either in person or through their representative) bring the same to the notice of the employer or any other person who is in charge of the small factory or the process concerned and simultaneously bring the same to the notice of an inspector, giving reasons for the complaint.
(3) The employer cannot require a worker to return to or remain at a work situation where there is continuing imminent danger to life or health.
(4) If the employer is not satisfied about the existence of any imminent danger as apprehended by the workers, the employer shall, nevertheless, refer the matter
forthwith to the nearest Inspector whose decision on the question of the existence of such imminent danger shall be final.

(5) If an inspector determines that there is an imminent danger to life or health, the inspector may give a person who has control over the activity a direction prohibiting the carrying on of the activity, or the carrying on of the activity in a specified way, until an inspector is satisfied that the matters that give or will give rise to the risk have been remedied. The direction may be given orally, but must be confirmed by written prohibition notice issued to the person as soon as practicable and in any event in not more than 24 hours after the oral direction.

(6) A prohibition notice must state:
(a) that the inspector believes that grounds for the issue of the prohibition notice exist and the basis for that belief; and
(b) briefly, the activity that the inspector believes involves or will involve the risk and the matters that give or will give rise to the risk; and
(c) the provision of this Act that the inspector believes is being, or is likely to be, contravened by that activity.

(6) A prohibition notice may include directions on the measures to be taken to remedy the risk, activities or matters to which the notice relates.

(7) A person must comply with the prohibition notice and any contravention thereof shall be punishable in accordance with the provisions of this Act.

(8) A person to whom a prohibition notice is issued may appeal against the improvement notice to the Chief Inspector who may confirm, amend or cancel the notice.

(9) A worker or a representative of the workers shall carefully consider the information available before filing any complaint of imminent and serious danger. No worker or workers’ representative shall file a mischievous or a baseless complaint. Any contravention shall be punishable in accordance with the provisions of this Act.
CHAPTER XII
WELFARE

39. **Drinking water**

The employer shall make effective arrangements to provide and maintain at suitable points conveniently situated for all persons employed therein, a sufficient supply of wholesome drinking water.

40. **Latrines and urinals**

The employer shall provide sufficient latrine and urinals as may be prescribed and they shall be so conveniently situated as may be accessible for the worker employed in the small factory.

Provided that in case it is not possible, due to constraint in space or otherwise several employers, may provide common facilities.

41. **Creche**

In every small factory and wherein twenty or more women worker are ordinarily employed and even if one of them has a child below the age of six, there shall be provided and maintained a suitable room or rooms for the use of such children. Provided that if a group of establishments, within a single premises so decide to provide a common crèche, then the same may be permitted by the Chief Inspector by a special order, subject to such conditions as may be specified in the order.

42. **First Aid**

Every employer shall provide at the place of work first-aid facilities as may be prescribed. Provided that if a group of establishments, within a single premises so decide to provide a common first aid facility, then the same may be permitted by the Chief Inspector by a special order, subject to such conditions as may be specified in the order.
CHAPTER XIII
REGISTER AND RECORDS.

43. Maintenance of register and records:

Every employer shall maintain the following registers and records. Such
records made in soft or hard form. However at the time of inspection by an
Inspector a hard copy of such records will have to be submitted, duly signed by
the employer, on demand by the Inspector:

(1) Register of workers, their attendance, weekly off, hours of work, wages
paid, deductions made, leave including leave in account and leave
availed. The register will show the name, address of the employer and LIN
the small factory.

Provided that if the above records are placed on the web-site of the small factory
then the employer will not be required to submit the records which are available
on the website unless specifically directed by the Inspector.

(2) In addition the appropriate Government may prescribe additional records
or registers to fulfil the objectives of the Act, in the rules.
Chapter XIV
Penalties and Miscellaneous provisions

44. Penalty for contravention of provisions

(1) Whoever contravenes the provisions of this Act and the rules made thereunder shall be punishable with fine which may extend to five thousand rupees or with imprisonment for a term which may extend to three months or with both, and in the case of a continuing contravention, with an additional fine which may extend to five hundred rupees for every day during which such contravention continues after conviction for the first such contravention which shall, however, not less than two thousand rupees and may extend to five thousand rupees.

Provided before initiation of prosecution proceedings, the Inspector shall give an opportunity to the employer to comply with the provisions of the Act by way of a written direction, which shall lay down a time period for compliance.

(2) If any person who has been convicted of any offence punishable under sub-section (1) is again guilty of an offence involving a contravention or failure of compliance of the same provision, he shall be punishable on a subsequent conviction with imprisonment for a term which may extend to six months or with fine which shall not be less than five thousand rupees but which may extend to ten thousand rupees or with both:

45. General penalty for offences in a Small Factory

Save as is otherwise expressly provided in this Act, where an employer on being held guilty of contravention of any of the provisions of this Act or any rule made thereunder which has resulted in an accident causing death of an worker, shall be punishable with imprisonment which may extend three months or fine which will not be less than Rupees Fifty Thousand or with both; and in the case of accident resulting in serious bodily injury by a fine which shall not be less than twenty five thousand rupees.
**Explanation.**- "Serious bodily injury" means an injury which involves, the permanent loss of the use of, or permanent injury to, any limb or the permanent loss of, or injury to, sight or hearing, or the fracture of any bone, but shall not include, the fracture of bone or joint (not being fracture of more than one bone or joint) of any phalanges of the hand or foot.

46. **Penalty for obstructions**

   (1) Whoever obstructs an Inspector in the discharge of his duties under this Act or refuses or willfully neglects to afford the Inspector any reasonable facility for making any inspection, examination, inquiry or investigation authorized by or under this Act in relation to a small factory and, shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to two thousand rupees, or with both.

   (2) Whoever willfully refuses to produce on the demand of an Inspector any register or other document kept in pursuance of this Act or the rules made thereunder or prevents or attempts to prevent or does anything which he has reason to believe to prevent any person from appearing before, or being examined by, an Inspector acting in pursuance of his duties under this Act, shall be punishable with imprisonment for a term which may extend to three months, or with fine which may extend to two thousand rupees, or with both.

47. **Cognizance of offences**

   (1) No Court shall take cognizance of any offence punishable under this Act and the rules made thereunder unless a complaint in respect thereof is made within three months of the date on which the alleged commission of the offence came to the knowledge of the Inspector and a complaint is filed in that regard thereby.

   Provided that where the offence consists of disobeying a written order made by an Inspector, complaint thereof may be made within six months of the date on which the offence is alleged to have been committed.

   (2) No Court inferior to that of a Metropolitan Magistrate or a Judicial Magistrate of the First Class shall try any offence punishable under this Act or the rules made there under.
48. **Compounding of offences.**— (1) Notwithstanding anything contained in this Act or the rules framed thereunder, the compounding authority as may be notified by the Government in the Official Gazette, on an application by the alleged offender shall compound the offence committed under this Act or the rules framed thereunder. The said authority shall discharge the offender by recovering a sum of money not less than fifty percent of the maximum amount of fine prescribed under this Act or the rules framed thereunder. However, if the violation relates to registration of small factory and, in that case the amount of fee as may be prescribed shall be recovered from the offender in full in addition to the amount of fine:

Provided that no offence of the same nature shall be compoundable if it is committed more than once in a year. Provided also that no offence resulting in death or serious bodily injury shall be compoundable.

49. **Protection of officers and their agents from personal liability.** - No suit, prosecution or other legal proceeding shall lie against any public servant or any other person in the service of the Central or State Government, acting under direction of any such public servant, for anything in good faith done or intended to be done in pursuance of the provisions of this Act or of any rule made thereunder.

50. **Power to grant exemptions.** – The appropriate Government or any officer empowered in this behalf may, by notification in the official Gazette, exempt from the operation of all or any of the provisions of this Act for any period it considers appropriate, any small factory and or any class thereof or any employer or worker or class of employers or worker to whom this Act applies on such terms and conditions as it may think fit.

51. **Factories Act not to apply:** Nothing contained in the Factories Act, 1948 (63 of 1948) shall apply to a small factory unless the small factory is carrying on a hazardous manufacturing process.

52. **Power to make rules.** - (1) The appropriate Government may by notification make rules for carrying out the provisions of this Act.
(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 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.

(3) The appropriate Government may further make any such provisions in the rules for the proper enforcement of the provisions of the Act and the rules made thereunder as it may think proper from time to time.

(4) Every rule made by the State Government under this Act shall be laid, as soon as may be after it is made, before each House of the State Legislature where it consists of two Houses or, where such Legislature consists of one House, before that House.

53. **Communication**

Any order, notice, charge-sheet or letter issued by the employer or his agent shall be sent to the worker in any of the following manners and it shall be deemed to be duly served on him-

(i) delivery by hand to worker in the presence of any other person; or
(ii) by sending the copy of such letter/notice under the cover of Registered A/D or by speed post at the address last recorded by him; or
(iii) by publication in the newspapers published in a local language; or
(iv) by courier recognized or authorized by the local Court.;
(v) and by placing it on the website of the small factory or the establishment for at least a period of one year from the date of the letter.
54. **Non-application of certain laws:**

The following laws shall not apply to any small factory:

1. The Factories Act, 1947
2. The Industrial Disputes Act, 1947
3. The Industrial Employment (Standing orders) Act 1946.
4. The Minimum Wages Act, 1948
5. The Payment of Wages Act, 1936
6. The Payment of Bonus Act, 1965
7. The Employees State Insurance Act, 1948
8. The Employees Provident Funds and Miscellaneous Provisions Act, 1952
10. The Employees compensation Act, 1923
11. The Inter-state Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
12. (State) Shops and Establishments Act
14. The Child Labour (Prohibition and Regulation) Act, 1986

55. **Exemptions:** Notwithstanding anything contained in this Act, the appropriate Government shall have the power to grant exemption from any provision of this Act to a registered small factory or a group of small factories, by a notification published in the Official Gazette.

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25.09.2014 – 15.00hrs

10.10.2014