

Fixed-Term Employment across Industries

Why in news?

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The Union Ministry of Labour has reportedly urged States to issue orders permitting fixed-term employment (FTE) across industries.

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What is fixed-term employment?

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- In March 2018, the Centre notified on fixed-term employment (FTE) for all sectors. Click [here](#) to know more.

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- Under this, a company or an enterprise hires an employee for a specific period of time.

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- The contract can be renewed or terminated according to the performance of the worker.

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- The notification does not permit conversion of permanent posts into FTE.

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- Therefore, the move, for now, is aimed at turning contract workers into FTE ones.

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What are the benefits?

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- **Entitlements** - Under FTE, workers will be entitled to benefits available to permanent workers.

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- Contract workers, if turned to FTE workers, stand to gain in terms of the statutory benefits.

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- They can possibly be assured of a greater sense of accountability from the principal employer.
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- **Jobs** - For the contract workforce, poor work environment has been a major trigger for unrest in industrial hubs.
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- It is, therefore, in the industry's interest to improve their working conditions.
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- However, the industry had largely been reluctant to go ahead, in view of rising costs and obligations.
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- The cost of capital had remained so low as to deter labour use.
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- Notably, this is said to be a factor for the slowed down job growth in the last decade.
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- But industries will now gain from FTEs category of the workforce, as it gives them the much-needed flexibility.
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- **Sectors** - FTEs are particularly useful in executing specific projects, such as in the infra sector.
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- They are prevalent in apparel, footwear and sections of the media.
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What are the concerns and ways out?

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- **Rules** - The present rules do not explicitly mention the minimum or maximum term of an FTE and the maximum permissible number of consecutive FTEs.
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- The FTE conditions need to be defined clearly to make them acceptable to both employers and employees.
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- E.g. In China, a worker employed without an FTE for a year is deemed to be on an open-ended contract
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- She is considered a permanent employee after two successive renewals.
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- While introducing FTEs to promote employment, these norms should be arrived at in a transparent, consensual manner.

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- It is also important to ensure that new labour reforms have a better social safety net.

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- **Legal** - FTE has been notified by an executive order, without Parliament having ratified it.

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- So states are not really obliged to take it forward.

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- This is because labour is a Concurrent List subject, and States are bound only by a central law (unless they choose to amend that).

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- The Centre's notification at present applies to central public sector undertakings.

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- It also applies to activities governed by the Centre such as banking, civil aviation, finance, insurance, ports and mining.

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- So for the FTE to function across regions and industries, the Centre must take the Parliament route.

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Source: BusinessLine

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