

ANIL DESAI

MEMBER OF PARLIAMENT

Shivsena (Uddhav Balasaheb Thackeray)
South Central Mumbai Constituency

MEMBER

1. Standing Committee on Home Affairs
2. Consultative Committee for the Ministry of Education
IC No. 261



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Ref. No.: C 61032/2026

Date : 17.07.2026

To,

Shri.Dr. Mansukh Mandaviya

Hon'ble Minister – Ministry of Labour & Employment
Government of India,
Shram Shakti Bhawan,
Rafi Marg,
New Delhi – 110 001.

Subject: Request for a mandatory statutory compliance-cost floor in labour-intensive service contracts & for rejection of underquoted tenders that enable exploitation of contract workers.

Respected Sir,

I write to draw your urgent attention to the continuing exploitation of contract labour engaged through contractors in government departments, public sector undertakings, autonomous bodies & other establishments. Although the current labour framework guarantees **Minimum Wages, Timely Payment Of Wages, Leave Entitlements, Welfare Facilities & Social-Security Compliance**, these protections are frequently undermined in practice when labour-intensive service contracts are awarded at unrealistically low rates.

Under the present legal framework, the **Code on Wages** applies to all employees, including contractual workers & monthly wages are required to be paid before the expiry of the seventh day of the succeeding month. Contract workers are also covered for welfare facilities & the **Principal Employer** remains responsible where the contractor fails to make due wage payments or comply with prescribed welfare obligations.

In addition, **EPF & ESI** obligations are statutory where applicable. Official material of the Ministry states that EPF applies to establishments employing 20 or more employees & ESI applies to covered factories & establishments employing 10 or more persons for eligible wage categories. **EPFO & ESIC** materials further show that remittance timelines are strict & monthly in nature.

Despite this framework, defaults remain significant. **EPFO** informed Parliament that in **FY 2023-24** penalties for delayed payment were levied in **53,782 cases**, prosecution was launched against 184 establishments, FIRs were filed against **23 establishments** & **4,865 establishments** were identified as non-contributory defaulters. The Ministry's annual-report material also records **ESI arrears** of **₹5,899.27 crore as on 31 March 2024**.

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A major structural reason for this problem is the award of labour-intensive service contracts at rates below the cost of lawful compliance. The Government of India's own procurement framework already recognizes the risk of "**Abnormally Low Bids,**" and, in manpower outsourcing, permits a minimum service-charge floor of 3.85% to 7% inclusive of GST. It also requires manpower costs to be based on prevailing minimum wages along with EPF, ESI & other statutory allowances & treats nil service charge in such contexts as unresponsive.

I respectfully request that the Ministry may consider issuing a binding framework, or initiating suitable legal action, to ensure that no labour-intensive service contract is awarded below the **Statutory Compliance Cost** of deployment. Such a framework may, inter alia, require:

- A mandatory cost sheet showing notified wage rates, EPF, ESI, leave liability, overtime liability, statutory benefits, welfare & safety obligations & contractor service charge;
- Rejection of bids that fall below this compliance floor in manpower & similar labour-intensive service contracts;
- Prohibition of nil or negative service charges in such contracts;
- Monthly digital verification of wage payment, EPF remittance & ESI remittance before release of contractor bills; &
- Accountability of the Principal Employer where contractors default on statutory obligations owed to deployed workers.

I further request that this framework be made applicable, in the first instance, to all Union Government Ministries, PSUs, Statutory Bodies & Public Procurement Platforms, with an appropriate compliance model to be considered for private establishments as well. Such a measure would directly reduce the incentive to underquote labour cost & would help ensure that Minimum-Wage & Social-Security Guarantees are not defeated at the tender stage itself.

I shall be grateful if your Ministry kindly examines this matter on priority & initiates action to protect contract workers from systematic underpayment & denial of statutory benefits.

Thanking you,

(Anil Desai)

Copy to: Secretary - Ministry of Labour & Employment,
Room No.104, Shram Shakti Bhawan, Rafi Marg, New Delhi - 110 001