

Karnataka likely to continue Employment Act exemption for IT sector

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Bengaluru: The Karnataka government is likely to exempt IT/ITeS companies from the Industrial Employment (Standing Orders) Act for another five years, providing the sector immunity from the government's statutory employment terms.

The standing orders exemption notification was last issued on January 25, 2014, and was valid for five years. It will expire this coming January.

“The government is looking at ways to proactively engage with IT/ITeS companies to accelerate their growth. We are consulting other stakeholders – Nasscom and the labour department – on the exemption from standing orders. We will ensure smooth functioning for the IT industry here,” said Gaurav Gupta, principal secretary for IT, BT and science & technology.

IT industry body Nasscom made a formal representation to the Karnataka government a few months ago for continuation of the exemption. Nasscom said that extending the application of the Standing Orders Act to the IT/ITeS sector would escalate the costs of doing business and would ultimately make India's technological hub less competitive in international markets. “The IT/ITeS industry in general has been diligently complying with the conditions specified in the exemption notification,” a Nasscom spokesperson told TOI.

The Standing Orders Act, enacted in 1946, monitors terms of employment including termination, misconduct, essential service, resumption of work after shutdown, publication of wage rates, publication of holidays and pay days. Nasscom said the Act was primarily meant for factories and other industrial establishments where there were no developed HR policies and practices.

KS Viswanathan, vice-president of industry initiatives in Nasscom, said the Indian IT sector is self-governing and has robust processes and progressive policies for its employees. “Many of the statutory terms in the standing orders could become a burden on the IT industry,” he said.

Nasscom said the IT/ITeS sector is driven by cutting edge technology, robust HR practices and creative forms of workforce engagement. “Companies have devised robust internal employee feedback mechanisms which have been evolving over the years. Every employee has a right to be heard, and has access to open door policies, 360-degree feedback, escalation metrics, etc, for grievance redressal,” it said.

The sector also believes that its 24x7 operating model, and provision of services to clients both onsite and offsite make it a very different business model from the one that the Act sought to regulate.

Karnataka is home to over 3,500 IT companies, contributing to over \$32 billion of exports, giving direct employment to over 10 lakh professionals and creating over 30 lakh indirect jobs. The industry contributes to over 25% of the state's GSDP. The share of Karnataka’s IT exports is nearly 38% of the country’s total IT exports.

“The technology sector in general has been known to adopt robust and progressive HR policies and practices. Extending the Standing Orders Act would lead to additional compliances and administrative hassles for employers, something that appears contrary to the government’s overall policy of promoting ease of doing business in India,” Vikram Shroff, lead of HR law at law firm Nishith Desai Associates