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Standing Order Exemption - IT and ITeS

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The Industrial Employment (Standing Orders) Act, 1946 (“**Standing Orders Act**”) is one of India’s main federal legislations aimed at creating a framework of working conditions for employees in an industrial establishment, to minimize cases of possible unrest between the employer and employees. With a view to allow the IT and ITeS sector with greater flexibility to grow in the State, the Karnataka State Government had historically exempted the said sector from compliance with the Standing Orders Act since 2014, which exemption lapsed in May 2024. This led to some speculation on a possible non-renewal of the exemption granted. However, with the central Government elections in India complete and the new Government in place for a third term, by way of notification no. LD 328 LET 2023 on June 10, 2024 (“**2024 Notification**”), Karnataka has now extended the exemption from compliance with the Standing Orders to all IT and ITeS companies in the State for a further five-year period. The exemption also covers the animation, gaming, computer graphics, telecom, Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) sectors.

Compliance conditions

The 2024 Notification has the following main compliance conditions:

- a. The employer is required to constitute an Internal Committee in accordance with the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules.
- b. The employer is required to set up a Grievance Redressal Committee consisting of equal number of persons representing both the employer and employees, to address employees’ complaints – this flows from the Industrial Disputes Act, 1947 (“**ID Act**”).
- c. The employer is required to intimate cases of disciplinary action like suspension, discharge, termination, demotion, dismissal, etc. of its employees to the jurisdictional Deputy Labour Commissioner and the Commissioner of Labour, Karnataka.
- d. Any information regarding service conditions of employees sought by the jurisdictional Deputy Labour Commissioner or Commissioner of Labour, Karnataka, will need to be promptly submitted by the employer.

Key Takeaways

- IT and ITeS companies in the State of Karnataka will not be required to comply with the Standing Orders Act until June 10, 2029, provided that the employer

adheres to the conditions contained in the 2024 Notification.

- From practical experience, condition (c) above was observed in the breach by several employers in the State during the previous exemption. While employers are required to notify the jurisdictional labour authorities of a retrenchment under the ID Act, there is no statutory requirement to notify the labour authorities of disciplinary action taken against an employee. However, due to increased scrutiny from the State labour department, it is advisable to notify the department of such disciplinary actions in compliance with the 2024 Notification, to avoid potential cancellation of the exemption under the Standing Orders Act.

The 2024 Notification mentions that in the event The Industrial Relations Code, 2020 is to be implemented, the same shall apply to all. While the said Code (with three other Codes, collectively "**Labour Codes**") have been pending notification over 4 years, the reference to the IR Code now gives rise to the impression that with political stability in place in India, the Central Government may now commence action to implement the Labour Codes.

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