

COMPLIANCE AS CONTROL: WHEN ETHICS INFRASTRUCTURE TESTS THE CONTRACTOR-EMPLOYEE DIVIDE IN VENDOR-OPERATED WAREHOUSES

*Aaransha Shankar & Rudraksh Singhal**

ABSTRACT

India's logistics and warehousing sector increasingly relies on vendor-operated facilities staffed through contract labour. Yet principal employers often impose dense compliance architectures in those workplaces, including safety protocols, codes of conduct, ESG requirements, audit systems, and productivity technologies. This paper argues that such compliance structures may operate as legally relevant forms of control even where no formal contract of employment exists between the principal employer and the worker. The paper examines the Contract Labour (Regulation and Abolition) Act, 1970, the Occupational Safety, Health and Working Conditions Code, 2020, and recent Indian case law that continues to place substantial weight on documentary and formal indicators of employment. It contends that this framework is ill-suited to capture contemporary forms of normative and algorithmic control in vendor-operated warehouses, thereby creating a compliance trap for principal employers and an accountability gap for workers. Drawing on developments in the United Kingdom, New Zealand, the European Union, and the United States, the paper situates India within a broader debate on indirect and digitally mediated labour control. It concludes by proposing a more integrated approach to employment classification and liability, one that distinguishes legitimate compliance oversight from functional labour control while aligning legal responsibility with substantive power.

KEYWORDS: Compliance, Control, Ethics Infrastructure, Contractor-employee, Vendor-operated warehouses.

I. INTRODUCTION.....	268
II. THE INDIAN LEGAL ARCHITECTURE OF CONTRACT LABOUR.....	271
	A. Conceptual Framework: The Master, The Servant, and the Independent Contractor
	271
	B. The Current Legal Scheme
	272

* Aaransha Shankar and Rudraksh Singhal are second-year students of B.A. LL.B. (Hons.) at Dr. Ram Manohar Lohiya National Law University, Lucknow. The views stated in this paper are personal

M. Gaps In the Legal Framework	275	1. Statutory recognition of compliance neutrality	291
III. DOCTRINAL DISSONANCE AND STRUCTURAL GAPS IN INDIAN LABOUR LAW	278	2. Legislating the Statutory Control Safe Harbour	291
A. Vacuum	278	B. Institutional Reforms	292
B. Practical Implications for Stakeholders	281	1. Mandatory autonomy clauses in contractor engagements.....	292
IV. COMPARATIVE PERSPECTIVES ON NORMATIVE CONTROL	283	2. Functional Guidelines for Labour Inspection	293
A. The UK: The Rejection of the ‘Compliance Defence’	283	3. Independent Ethics Ombudsman.....	294
B. New Zealand: The ‘Window Dressing’ Doctrine	286	C. Doctrinal Reforms	294
N. The EU: Regulating the ‘Algorithmic Boss’	288	1. Recognition of algorithmic control	294
O. The US: The ‘Quality Control’ Shield.....	289	D. The Integrated Test of Employment.....	295
V. RE-BALANCING CONTROL AND LIABILITY: THE WAY FORWARD	291	VI. CONCLUSION	296
A. Clarificatory Reforms	291	A. Doctrinal and Regulatory Stabilisation	297
		1. Institutional and Enforcement Alignment.....	297
		2. Structural Recalibration of Employment Doctrine	298
		B. What Lies Ahead?	298

I. INTRODUCTION

The logistics and warehousing industry has become a major component of the Indian economy¹ and an important node in domestic commerce and global supply chains.² The sector has expanded rapidly in recent years, driven by e-

¹ Kunal Sood and Tejinder Gupta, ‘Evolving Landscape of warehousing and logistics in India: A road to becoming third-largest economy by 2027’ (*FICCI*, July 2023) <https://www.granthornton.in/globalassets/1.-member-firms/india/assets/pdfs/evolving_landscape_of_warehousing_and_logistics_in_india.pdf> accessed 16 January 2026.

² Sultan Ahmed bin Sulayem, ‘Logistics is no longer merely a support function but a strategic enabler of growth’ (*World Economic Forum*, 20 January 2026) <<https://www.weforum.org/stories/2026/01/logistics-viewed-today-no-longer-support-function-but-strategic-enabler-of-growth/>> accessed 16 January 2026.

commerce growth,³ technological change,⁴ and state support for logistics infrastructure.⁵ Warehousing capacity has grown significantly across metropolitan as well as tier 2 and tier 3 markets,⁶ with third-party logistics operators accounting⁷ for a substantial share of market activity.⁸ This expansion has increased both the economic significance of the sector⁹ and the legal importance of the labour arrangements on which it depends.¹⁰

This growth has been accompanied by a shift in work organisation.¹¹ Warehousing operations are increasingly conducted through vendor-operated facilities in which third-party service providers own or lease premises and formally engage workers, while lead firms retain significant influence over service levels, operational standards, and brand-sensitive processes. This

³ Ministry of Commerce and Industry and Department for Promotion of Industry and Internal Trade, 'Invest in Logistics Infrastructure' (*India Investment Grid*) <<https://indiainvestmentgrid.gov.in/sectors/logistics-infrastructure>> accessed 16 January 2026.

⁴ NASSCOM, 'Propelling India Towards Global Leadership in e-Commerce' (*PwC India*, Oct 2018) <www.pwc.in/assets/pdfs/publications/2018/propelling-india-towards-global-leadership-in-e-commerce/executive-summary.pdf> accessed 16 January 2026.

⁵ 'Warehousing and Logistics Sector in India' (*IBEF Blog*, 10 May 2023) <www.ibef.org/blogs/warehousing-and-logistics-sector-in-india> accessed 16 January 2026.

⁶ Arundhati Bakshi Dighe, 'India's warehousing boom: Tier II-III cities drive 100M sq ft' (*JLL*, 13 Feb 2025) <www.jll.com/en-in/newsroom/indias-warehousing-boom-tier-ii-iii-cities-drive-100m-sq-ft> accessed 16 January 2026.

⁷ Sood and Gupta (n 1).

⁸ Dara Kim, 'The Competitive Landscape for 3PL in 2024 and Beyond' (*AutoStore*, 30 October 2023) <www.autostoresystem.com/insights/the-3pl-landscape-key-trends-and-challenges-for-2024> accessed 16 January 2026.

⁹ 'Logistics: India's Growth Engine' (*Press Information Bureau*, 16 August 2025) <www.pib.gov.in/PressNoteDetails.aspx?id=155038&NoteId=155038&ModuleId=3®=3&lang=2> accessed 16 January 2026.

¹⁰ IANS, 'India's logistics sector to clock 10.7% growth till 2026, create millions of jobs: Centre' (*Economic Times*, 16 August 2025) <<https://infra.economictimes.indiatimes.com/news/logistics/indias-logistics-sector-set-for-107-growth-promising-millions-of-jobs-by-2026/123332501>> accessed 16 January 2026.

¹¹ Auguste Tano Kouamé, 'Logistics key for India as a business destination' (*World Bank Group*, 17 Jul 2024) <www.worldbank.org/en/news/opinion/2024/07/17/logistics-key-for-india-as-a-business-destination> accessed 16 January 2026.

model offers flexibility and scalability,¹² but it also complicates the conventional employer-employee relationship¹³ by separating formal employment from substantive influence over the labour process.

At the same time, principal firms increasingly impose extensive ethics and compliance infrastructures within vendor-run warehouses.¹⁴ These may include codes of conduct, whistleblower mechanisms,¹⁵ safety signage, Environmental, Social and Governance ('ESG')-driven protocols,¹⁶ audit systems,¹⁷ and increasingly digital productivity tools. Although these mechanisms are often framed as necessary for lawful and ethical operations, they raise an important labour-law question: when does compliance-based oversight become a legally relevant form of control over workers who are formally employed by contractors rather than by the principal employer?

This paper argues that in vendor-operated warehouses, compliance systems imposed by principal employers may function as forms of normative and algorithmic control that are legally significant even in the absence of a

¹² 'Outsourcing and operational resilience' (*Financial Conduct Authority*, 9 Jan 2020) <www.fca.org.uk/firms/outsourcing-and-operational-resilience> accessed 16 January 2026.

¹³ CA R Raghunathan, 'Revisiting Employer-Employee Relationships: Supreme Court's clarification and its Implications under Direct Taxes and GST Law' (*Tax Guru*, 23 October 2025) <<https://taxguru.in/goods-and-service-tax/employee-relationships-sc-clarifies-implications-income-tax-gst.html>> accessed 16 January 2026.

¹⁴ Arpinder Singh and Gurjeet Chahal, 'Top Regulatory Compliance challenges facing India Inc in 2025' (*EY*, 21 Jan 2025) <www.ey.com/en_in/insights/forensic-integrity-services/top-regulatory-compliance-challenges-facing-india-inc-in-2025> accessed 16 January 2026.

¹⁵ Dr Anil Kumar and Dr Seema Gupta, 'Decoding Whistle Blowing Policies of Indian Companies' (2023) 2 ICSI <www.icsi.edu/media/webmodules/CSJ/December/18.pdf> accessed 16 January 2026.

¹⁶ Tom Krantz and Alexandra Jonker, 'What is environmental, social and governance (ESG)' (IBM) <<https://www.ibm.com/think/topics/environmental-social-and-governance>> accessed 16 January 2026.

¹⁷ Pratishtha Sharma, 'The Rise of ESG (Environmental, Social and Governance) in Indian Corporate Law: Legal Implications and Compliance Challenges' (2024) 3(5) IJHRLR <<https://humanrightslawreview.in/wp-content/uploads/2024/09/The-Rise-of-ESG-Environmental-Social-and-Governance-in-Indian-Corporate-Law.pdf>> accessed 16 January 2026.

formal contract of employment. It proceeds in four parts. First, it examines the present Indian law governing contract labour and employment classification. Secondly, it identifies the doctrinal gaps that emerge when compliance infrastructure structures day-to-day work without formal employment attribution. Thirdly, it draws comparative lessons from the United Kingdom ('UK'), the United States ('US'), New Zealand, and the European Union ('EU'). Finally, it proposes a more coherent framework for distinguishing legitimate compliance oversight from functional labour control while aligning liability with substantive power.

II. THE INDIAN LEGAL ARCHITECTURE OF CONTRACT LABOUR

A. Conceptual Framework: The Master, The Servant, and the Independent Contractor

The classic distinction between a direct employee and a contract worker turns on the difference between purchasing labour and purchasing a result.¹⁸ In a contract of service, the employer ordinarily retains authority not only over what is to be done but also, to a significant extent, how it is to be done.¹⁹ The worker is economically tethered to the organisation and integrated into its

¹⁸ Ashima Obhan and Akanksha Dua, 'Determination of Contract Workers as Direct Employees: Two Prong Test Laid Down by the Supreme Court' (*Obhan and Associates*, 4 July 2019) <www.obhanandassociates.com/blog/determination-of-contract-workers-as-direct-employees/> accessed 18 January 2026.

¹⁹ 'Supreme Court Clarifies Employer-Employee Relationship in Contract Labour' (*V Law Partners*, 14 May 2025) <www.vlawpartners.com/supreme-court-clarifies-employer-employee-relationship-in-contract-labour/> accessed 18 January 2026.

daily rhythm²⁰ while being subject to the master's disciplinary whip.²¹ By contrast, a contract for services typically involves engagement of a vendor to deliver an agreed commercial outcome.²² In such cases, supervision is ordinarily justified as quality control over outputs rather than direction over the manner and means of individual work.²³ Where the principal goes beyond outcome-based supervision and exercises method-level or disciplinary control over workers, however, the arrangement may support an inference that the formal contractual structure does not capture the substantive relationship.²⁴

B. The Current Legal Scheme

The statutory framework governing this relationship is transitioning²⁵ from the Contract Labour (Regulation and Abolition) Act, 1970 ('**CLRA**')²⁶ to the Occupational Safety, Health and Working Conditions Code, 2020 ('**OSH Code**').²⁷ Warehouses fall within the definition of an establishment under

²⁰ 'The Transition of India's Economy Towards Formalization' (*Press Information Bureau*, 14 November 2024) <www.pib.gov.in/PressNoteDetails.aspx?NoteId=153420&ModuleId=3®=3&lang=2> accessed 18 January 2026.

²¹ Indira Hirway, 'Work and Workers in India: Moving towards Inclusive and Sustainable Development' (2023) 66 *IJLE* <<https://link.springer.com/article/10.1007/s41027-023-00439-4>> accessed 18 January 2026.

²² Ajay Singh, 'Indian Supreme Court on the distinction between Employment v/s Independent Contractor' (*Cornellia Chambers*, 16 April 2024) <www.cornelliachambers.com/post/indian-supreme-court-on-the-distinction-between-employment-v-s-independent-contractorship> accessed 18 January 2026.

²³ Rupin Chopra and Shantam Sharma, 'Employer-Employee Relationship in Indian Law' (*SS Rana and Co*, 22 April 2025) <<https://ssrana.in/articles/employer-employee-relationship-in-indian-law/>> accessed 18 January 2026.

²⁴ M P Ram Mohan and Sai Muralidhar K 'Tests to Determine Employer-Employee Relationships in India: Looking towards the Future?' (*Indian Institute of Management Ahmedabad*, April 2023) <www.iima.ac.in/sites/default/files/2023-04/WP%202023-04-02.pdf> accessed 18 January 2026.

²⁵ 'Contract labour under the new regime – An Overview' (*Lakshmikumaran and Sridharan Attorneys*, 22 June 2022) <www.lkslaw.com/insights/articles/contract-labour-under-the-new-regime-an-overview> accessed 18 January 2026.

²⁶ Contract Labour (Regulation and Abolition) Act 1970.

²⁷ Occupational Safety, Health and Working Conditions Code 2020.

section 2(1)(v) of the OSH Code,²⁸ and the Code separately defines “worker,”²⁹ “contract labour,”³⁰ “employer,”³¹ “principal employer,”³² and “contractor”³³ Section 57 further prohibits engagement of contract labour in the core activities of an establishment,³⁴ subject to statutory exceptions.³⁵

Under the Employees’ Provident Funds and Miscellaneous Provisions Act of 1952, section 2(e)³⁶, while defining the employer, makes a distinction between a factory and an establishment other than a factory.³⁷ It provides that, “in relation to any other establishment”, the “employer” is the person who, or the authority which, has the ultimate control over the affairs of the establishment,³⁸ and where such affairs are entrusted to a manager, managing director, or managing agent, such manager, managing director, or managing agent. Furthermore, in order to be considered an employer, there must be control over the establishment rather than the employees.³⁹

The framework also reveals a tension between documentary form and operational responsibility. The Draft OSH (Central) Rules, 2025 emphasise written appointment letters and formal employment records,⁴⁰ thereby reinforcing documentary indicators of employment. At the same time, the OSH Code allocates important welfare obligations to the principal employer,

²⁸ Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(v).

²⁹ Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(zzl).

³⁰ Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(m).

³¹ Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(u).

³² Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(zz).

³³ Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(n).

³⁴ Occupational Safety, Health and Working Conditions Code 2020, 57.

³⁵ Occupational Safety, Health and Working Conditions Code 2020, s 2(1)(p).

³⁶ Employees’ Provident Funds and Miscellaneous Provisions Act 1952, s 2(e).

³⁷ *Binod Kumar Biyala v The Regional Provident Fund Organisation* 2000 SCC OnLine Cal 31.

³⁸ Employees’ Provident Funds and Miscellaneous Provisions Act 1952, s 2(e).

³⁹ *Gujarat State Civil Supplies Corporation Ltd v Regional Provident Fund Commissioner & Ors* 1999 SCC OnLine Guj 10.

⁴⁰ Draft Occupational Safety, Health and Working Conditions Code 2025, r 7.

including responsibility for specified worker facilities under section 53.⁴¹ The result is a structure in which formal employment may remain with the contractor even as statutory responsibility for working conditions increasingly draws the principal employer into the governance of the workplace.

This fusion of the main employer and contract worker is further enhanced by the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 (**'POSH Act'**)⁴² which expressly enlarges the definition of the term employee by adding the contract worker.⁴³ It further provides a requirement that employers should conspicuously posting some posters of compliance in the workplace detailing punishment of sexual harassment,⁴⁴ as well as, the contact and information of Internal Complaints Committee (**'ICC'**).⁴⁵ This means that the ICC of the principal employer is legally obliged to conduct and determine complaints against vendors staff which technically, amounts to the exercise of the power of Disciplinary Control over workers when the workers are not technically employed by the principal employer.⁴⁶ At the same time, the digitization of the warehouse

⁴¹ Priyanshi Dubey, 'The Shift in Industries: A Comprehensive Legal Analysis of the OSH Code, 2020' (*IndiaLaw*, 18 December 2025) <<https://www.indialaw.in/blog/osh-code-2020/>> accessed 18 January 2026; Occupational Safety, Health and Working Conditions Code 2020, s 53.

⁴² Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act 2013.

⁴³ Atishay Jain, 'POSH Act: Key Definitions Every Employee and Employer Must Know Under Section 2 Of POSH Act?' (*APNI Law*, 7 May 2025) <www.apnilaw.com/legal-articles/acts/posh-act-key-definitions-every-employee-and-employer-must-know-under-section-2-of-posh-act/> accessed 18 January 2026.

⁴⁴ 'Posters for Prevention, How Posh Act Compliance Drives Workplace Culture' (*Sexual Harassment Law Compliance*, 20 December 2024) <<https://shlc.in/posters-for-prevention-how-posh-act-compliance-drives-workplace-culture/>> accessed 18 January 2026.

⁴⁵ Dr Abhishek Gandhi, 'POSH Act 2013: A Complete Guide for Employers and Employees' (13 August 2025) <<https://advocategandhi.com/posh-act-2013-a-complete-guide-for-employers-and-employees/>> accessed 18 January 2026.

⁴⁶ 'Principal Employer's Liability Under Employee Compensation Act: Bombay High Court' (*Aran Law*, 26 November 2024) <<https://aranlaw.in/blog/employment-law/principal->

subjects the relationship to the Digital Personal Data Protection Act, 2023 ('DPDP Act'),⁴⁷ in case the principal employer stores the information concerning the reputation data of the employees, the list of clients, and so forth, biometric gates and AI-cameras can ensure that unlicensed workers do not gain access to the facility, and accidents do not occur.

M. Gaps In the Legal Framework

The present framework reveals a significant doctrinal mismatch. Indian labour law continues to rely heavily on industrial-era indicators of employment, a focus on who pays wages, who issues appointment letters, and who formally exercises disciplinary authority.⁴⁸ That approach does not easily capture normative control, namely the organisation of labour through binding behavioural standards, audit systems, software rules, and compliance-linked sanctions, even where day-to-day command is not delivered through a conventional line manager.⁴⁹ In vendor-operated warehouses, the principal employer may not need to issue direct verbal instructions to shape the labour process.⁵⁰

employers-liability-under-employee-compensation-act-bombay-high-court/> accessed 18 January 2026.

⁴⁷ Digital Personal Data Protection Act 2023.

⁴⁸ Shubhra Shastri, 'From Control to Contracts: Supreme Court Recalibrates the Test for Employment Status' (*King Stubb and Kasiva*, 16 August 2025) <<https://ksandk.com/labour-employment/supreme-court-ruling-on-employment-status-in-india/>> accessed 19 January 2026.

⁴⁹ Rajrishi Ramaswamy and Dr Anuradha Binnuri, 'An analysis of the impact of India's Labour Codes on its organized and unorganized sectors' (2023) 9(1) *Cogent Social Sciences* <<https://doi.org/10.1080/23311886.2023.2238458>> accessed 19 January 2026.

⁵⁰ Chopra and Sharma (n 23).

Control may instead be exercised through standard operating procedures,⁵¹ codes of conduct,⁵² ESG compliance requirements,⁵³ and productivity software that structures pace, process, and permitted behaviour. This gives rise to what may be described as a compliance trap: principal employers are often expected to impose detailed controls in order to satisfy safety, welfare, ethics, and ESG obligations, yet those same controls may later be cited as evidence of functional employer-like authority. The problem is not that all compliance oversight should be treated as employment control, but that existing doctrine lacks a principled way to distinguish legitimate compliance supervision from method-level or disciplinary control over labour.

This tension is reinforced by statutory design. Section 53 of the OSH Code⁵⁴ requires the principal employer to provide certain welfare facilities,⁵⁵ while compliance under the Code on Wages,⁵⁶ the Social Security Code,⁵⁷ and related statutes may require auditing and oversight of contractor practices. Similar pressures arise in relation to workplace misconduct and grievance processes.⁵⁸ In practice, therefore, principal employers may need to monitor labour conditions closely while still maintaining that they do not control the workforce in an employment-law sense. Where tribunals treat all such

⁵¹ Jeff Rumage, 'The Importance of Workplace Ethics' (*BuiltIn*, 21 February 2024) <<https://builtin.com/articles/workplace-ethics>> accessed 19 January 2026.

⁵² 'Ethics and Compliance Programmes' (*Navex Global*) <https://cdn.navex.com/image/upload/v1633099296/resource%20documents/Definitive_Guide_to_Ethics_and_Compliance_Programmes.pdf> accessed 19 January 2026.

⁵³ 'Ethics at work: An employer's guide' (*CIPD*, 15 February 2024) <www.cipd.org/uk/knowledge/guides/ethics-work-guide/> accessed 19 January 2026.

⁵⁴ Occupational Safety, Health and Working Conditions Code 2020, s 53.

⁵⁵ 'Occupational Safety, Health and Working Conditions (OSH) Code, 2020' (*Press Information Bureau*, 22 November 2025) <<https://www.pib.gov.in/FactsheetDetails.aspx?Id=150475®=3&lang=2>> accessed 19 January 2026.

⁵⁶ Code on Wages 2019.

⁵⁷ Code on Social Security 2020.

⁵⁸ Aran Law (n 46).

diligence as conclusive evidence of managerial control or sham contracting, the law risks collapsing a necessary distinction between compliance governance and substantive labour control.⁵⁹

The distinction between a statutory compliance and an employer liability is disappearing as in the Emerson Climate Technologies case,⁶⁰ where funding benefits resulted in the finding of a sham contract. The law brings out the damned-if-you-do, damned-if-you-don't effect⁶¹ where negligence attracts statutory penalties of non-compliance, and diligent compliance attracts evidence to show claimed employment. The legal system is also too dangerously unsighted about the Algorithmic Master. As long as the algorithm that determines the path and pace of the picker is set by the principal employer⁶² and the Ethics Infrastructure (SOPs, Code of Conduct) determines how they behave,⁶³ the vendor is deprived of functional autonomy. Principally, the person who exercises complete control would become the principal employer even when the wages are paid by the vendor. The Contractor-Employee divide will continue to be a figment of the law unless the judiciary or legislature comes to the realization that the new supervisors are algorithms

⁵⁹ 'Complete Guide to Labour Law Compliance Audit in 2025' (*PKC*, 5 July 2025) <<https://pkcindia.com/blogs/labour-law-compliance-audit/>> accessed 18 January 2026.

⁶⁰ *Emerson Climate Technologies (India) Pvt Ltd v Bharatiya Kamgar Karmachari Mahasangh* 2025 Supreme (Bom) 1706.

⁶¹ Justin K. Miller, 'Damned If You Do, Damned If You Don't: Religious Shunning and the Free Exercise Clause' (1988) 137(1) *U PA Law Rev* <https://scholarship.law.upenn.edu/penn_law_review/vol137/iss1/6/> accessed 19 January 2026.

⁶² Logiwa Marketing, 'Warehouse Optimization – Algorithms for Picking Path Optimization' (*Logiwa*, 1 Aug 2019) <<https://www.logiwa.com/blog/picking-path-optimization-algorithm/>> accessed 19 January 2026.

⁶³ Q Li 'Logistics Picking Path Optimization Based on Improved Ant Colony Algorithm' (*Spinger Nature*, 5 July 2023) <https://doi.org/10.1007/978-981-99-2921-4_72> accessed 19 January 2026.

and compliance mandates, where the operational reality knows otherwise, only through the paper reality granted in *Raj Kumar Mishra*.⁶⁴

III. DOCTRINAL DISSONANCE AND STRUCTURAL GAPS IN INDIAN LABOUR LAW

A. Vacuum

The legal battle surrounding vendor-operated warehouses⁶⁵ exists because of the increasing disparity between formal contractual framework and substantive control by principal employers through compliance regimes.⁶⁶ Under classical labour law,⁶⁷ direct control and supervision were treated by *Dharangadhara Chemical Works Ltd v State of Saurashtra*⁶⁸ and *Shivanandan Sharma v Punjab National Bank*⁶⁹ as the critical factors to determine the existence of an employment relationship. Nevertheless, the operation of modern warehouse governance is indirect, omnipresent, with ethics codes, audit, algorithmic productivity, and compliance-based sanctions⁷⁰ that generate the circumstances, continuity, and discipline of labour without the intervention of managers. This gives rise to what may be termed the “compliance trap”, wherein the principal employers are often expected either by statutory obligations, commercial requirements, or ESG commitments, to

⁶⁴ *Joint Secretary, CBSE v Raj Kumar Mishra* (2025) INSC 1621.

⁶⁵ ‘Unpacking Warehouse Legal Liability’ (AMWINS, 28 July 2020) <www.amwins.com/resources-and-insights/market-insights/article/unpacking-warehouse-legal-liability> accessed 18 January 2026.

⁶⁶ ‘India’s Labour Reforms: Simplification, Security, and Sustainable Growth’ (Press Information Bureau, 21 November 2025) <<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2192524®=3&lang=2>> accessed 18 January 2026.

⁶⁷ Miryokub Rakhimov, ‘The Principles of the Classical Theory of Labor Law’ (2024) 2(2) IJLP <[ff44e282633cbe68c4ea10c095a3a5677c2c.pdf](https://doi.org/10.4236/ijlp.2024.2202)> accessed 18 January 2026.

⁶⁸ *Dharangadhara Chemical Works Ltd v State of Saurashtra* 1957 SCR 152.

⁶⁹ *Shivanandan Sharma v Punjab National Bank Ltd* AIR 1955 SC 404.

⁷⁰ Lu Zhen and Haolin Li, ‘A literature review of smart warehouse operations management’ (2022) 9(1) Front Eng Manag <<https://link.springer.com/article/10.1007/s42524-021-0178-9#citeas>> accessed 18 January 2026.

implement detailed compliance frameworks across vendor-operated facilities. For instance, a warehouse worker may be formally employed by a contractor, yet the worker's entry into the facility may depend on a biometric access system operated by the principal employer. Productivity targets generated through software selected by the principal employer, and compliance audits conducted by the principal employer influence whether the worker continues to be assigned to tasks.

However, the same compliance may serve as a basis for compliance as an example of employer-like control. What is at stake is not the automatic assumption of employment liability on the basis of compliance oversight but whether the existing legal framework clearly separates compliance oversight from other forms of control that may, in fact, materially influence the labour process. The recent SC's ruling has largely favoured a composite and documentation-oriented approach to employment classification. The ruling in the case of *Balwant Rai Saluja v Air India Ltd*,⁷¹ restated in *General Manager, U.P. Co-operative Bank Ltd v Achchey Lal* and *CBSE v Raj Kumar Mishra*,⁷³ continues to give due weightage to appointment letters, wages paid, and a formal disciplinary authority. In practice, this approach favours the principal employers as the courts are unlikely to regard them as employers in circumstances wherein the appointment letters, wage payments, and formal disciplinary authority continue to rest with the contractor. This formality is, however, in conflict with the economic and functional dependency model expressed in the *Hussainbhai v Alath Factory Thozhilali Union*⁷⁴ emphasised

⁷¹ *Balwant Rai Saluja v Air India Ltd* (2014) 9 SCC 407.

⁷² *General Manager, UP Co-operative Bank Ltd v Achchey Lal* (2025) INSC 22.

⁷³ *Raj Kumar Mishra* (n 64).

⁷⁴ *Hussainbhai, Calicut v Alath Factory Thozhilali Union, Kozhikode* (1978) 4 SCC 257.

the need to examine the economic realities of the relationship and the degree to which labour is organised for the benefit of the principal enterprise.

There are multiple layers of arrangements, such as principal operators, logistics service providers and contractors, involved in the operation of warehouses. The interpretative challenge under Section 2(e)⁷⁵ arises in identifying the entity that exercises ultimate control over the affairs of the establishment, particularly in cases such as warehouses operated through contractual or outsourced arrangements. Limited supervisory, operational or compliance functions indicating ultimate control, by itself, do not, under Section 2(e), constitute ultimate control.⁷⁶ Where compliance systems move beyond regulatory oversight and begin to shape the manner, pace, or conditions of work, the inquiry becomes more complex. However, compliance supervision cannot be automatically treated as evidence of ultimate control under Section 2(e),⁷⁷ and neither can employer liability be confined solely to formal indicators of employment where compliance mechanisms effectively organise and direct work.

The OSH Code, 2020⁷⁸ only adds to this tension. The re-designation of the main welfare and safety responsibilities of principal employers in the Code creates further integration of workers into the establishment, making the rationale of *Achchey Lal*⁷⁹ more complicated, wherein it was estimated that the providing of infrastructure was a factor of neutrality of the law. The increased judicial focus on documentary control in *Raj Kumar Mishra*⁸⁰ also creates a vacuum in remedy where compliance-related termination,

⁷⁵ Industrial Disputes Act 1947, s 2(e).

⁷⁶ *ibid.*

⁷⁷ *ibid.*

⁷⁸ Occupational Safety, Health and Working Conditions Code 2020.

⁷⁹ *Achchey Lal* (n 72).

⁸⁰ *Raj Kumar Mishra* (n 64).

deactivation or blacklisting is determined in substance by the principal but formally by contractors, and shifting the liability attribution. Collectively, these tendencies highlight that there is a fault line in the structure, that is, the regulation of outsourcing with Indian labour law continues to be based on indicators of employment peculiar to the industrial era. However, compliance-based and algorithmic control has gradually acquired the functionality traditionally attributed to employer control, and it must have the legal accountability that goes with it.

B. Practical Implications for Stakeholders

The dissonance between formal contracting structures and compliance-led control in vendor-operated warehouses produces significant practical implications for all the stakeholders of the logistics ecosystem. It reconfigures the risk allocation, governance incentives, and the power relations at the workplace.

For the workers, the compliance regimes in vendor-managed warehouses serve as an invisible system of governance that has a direct impact on their job security, the intensity of work, and disciplinary consequences.⁸¹ The codes of ethics, productivity standards and audit-imposed sanctions are becoming more important in the continuation of engagement, but workers do not have the procedural protection that they have under a direct employment relationship.⁸² This results in an atmosphere of increased economic reliance with lack of legal security, especially on exits that are activated by compliance that are channelled through contractors.

⁸¹ Alan Hyde, *The Oxford Handbook of the Law of Work*, Guy Davidov, Brian Langille, and Gillian Lester (eds) (Online Edn, 2024).

⁸² Dong Hoang, 'Labour Standards in the Global Supply Chain: Workers' Agency and Reciprocal Exchange Perspective' (2019) 9(2) Leeds LS1 3HB UK Societies <<https://doi.org/10.3390/soc9020038>> accessed 19 January 2026.

In the case of contractors, the growing ethics and compliance framework posed by principal employers⁸³ creates substantial limitations on the autonomy of operations. Although the legal employers are contractors who pay salaries, terminate employees, and comply with the law, the real decisions are usually influenced by the standards imposed by the principals. This imbalance turns contractors into risk-bearing middlemen, they are exposed to labour disputes and the statutory punishment with no significant control over the workforce management.

In the case of principal employers, reputational and ESG security comes with compliance-based oversight but at the same time creates legal exposure. A broad-scale intervention in the form of SOPs, audits and performance algorithms jeopardises the distinction between contractor and employee especially in the context of the shared responsibility framework of the OSH Code. The documentation-based defences might not work in areas where functional control is provable.

To regulators and adjudicatory entities, compliance-based outsourcing makes it difficult to assign liability and enforce it. Conventional signs of control are insufficient in the context where the systems of private compliance are in place, which allow both formal and substantive evasion. These dynamics at an industry level normalise a dual-layered workforce which is becoming increasingly governed by corporate compliance regimes rather than public labour law, with long-term workforce stability, accountability, and legitimacy of outsourced warehousing as a sustainable employment model posing a concern.

⁸³ Li Chen and Hau L Lee, *The Cambridge Handbook on Compliance*, Benjamin van Rooij and D Daniel Sokol (eds) (Online Edn, Cambridge University Press 2021) 145.

IV. COMPARATIVE PERSPECTIVES ON NORMATIVE CONTROL

Comparative law is useful here not because foreign jurisdictions offer a uniform solution, but because they illuminate different ways of addressing the same structural problem: how should the law classify work when control is exercised through standards, digital systems, and organisational architecture rather than through traditional supervisory command?⁸⁴ ⁸⁵ The UK and New Zealand show a stronger willingness to look past contractual form. The EU increasingly treats algorithmic management as a regulatory object in its own right. The US, by contrast, remains more protective of formal separation and quality-control justifications. Together, these jurisdictions provide a useful set of contrasts for Indian law.

A. *The UK: The Rejection of the ‘Compliance Defence’*

The United Kingdom is a useful comparator because its courts have increasingly emphasised the reality of subordination over contractual form. Section 230 of the Employment Rights Act 1996 (‘**ERA**’)⁸⁶ provides a broad statutory framework for identifying worker status,⁸⁷ and the UK Supreme

⁸⁴ C Wilfred Jenks, ‘The rules of different systems’ (*Britannica*, 22 December 2025) <www.britannica.com/topic/labour-law/The-rules-of-different-systems> accessed 20 January 2026.

⁸⁵ Shatakshi Shrivastava, ‘Comparative Analysis of Labour Laws In Various Countries’ (*Tax Guru*, 21 April 2023) <<https://taxguru.in/corporate-law/comparative-analysis-labour-laws-countries.html>> accessed 20 January 2026.

⁸⁶ Employment Rights Act 1996, s 230.

⁸⁷ Department for Business & Trade, ‘Impact assessment of the Free Trade Agreement between the UK and India executive summary’ (*Gov UK*, 24 July 2025) <<https://www.gov.uk/government/publications/uk-india-free-trade-agreement-impact-assessment/impact-assessment-of-the-free-trade-agreement-between-the-uk-and-india-executive-summary-web-version>> accessed 20 January 2026; Mark Radford, ‘Employment status and why it matters – Part I’ (*Invicta Law*, 7 February 2024) <<https://invicta.law/employment-status-and-why-it-matters-part-i/>> accessed 20 January 2026.

Court in *Uber BV v Aslam*⁸⁸ stressed that statutory worker status is determined by the practical reality of the relationship rather than by contractual labels. The Court treated fare-setting, behavioural requirements, performance monitoring, and platform-mediated discipline as indicators of subordination notwithstanding Uber's attempt to frame those features as part of a lawful and regulated business model.^{89 90 91} The lesson for India is not that all compliance rules constitute employment control, but that control does not become legally irrelevant merely because it is justified as regulatory, ethical, or brand-driven compliance.

In *Uber BV v Aslam*,⁹² the UK SC made the correct decision by dismissing what has since been perceived as the so-called regulatory or compliance defence. The fact that Uber based its argument on the notion that its massive prescriptions on routes, behaviour, fares and performance were only compliance-based requirements of the demands of the private hire licensing provision, was doctrinally unsustainable in the modern labour market.⁹³ The argument that the Court appeals to is convincing not due to the sectoral context but because it appreciated a structural fact, that, control does not lose its character of jurisdiction just because it is driven by regulatory necessity and

⁸⁸ *Uber BV v Aslam* UKSC/2019/0029.

⁸⁹ 'Recent Case: *Uber BV v Aslam*' (*Harvard Law Review*, 8 March 2021) <https://harvardlawreview.org/blog/2021/03/recent-case_uber-bv-v-aslam/> accessed 20 January 2026.

⁹⁰ Jeremias Adams-Prassl, 'Uber BV v Aslam: '[W]ork relations ... cannot safely be left to contractual regulation' (2023) 51(4) ILJ <<https://academic.oup.com/ilj/article/51/4/955/6991308>> accessed 20 January 2026.

⁹¹ Wairimu Kibe, 'Why ROC Compliance Matters: The Complete Guide for Modern Enterprises' (*Regulance*, 10 September 2025) <<https://regulance.io/blog/why-roc-compliance-matters-the-complete-guide-for-modern-enterprises/>> accessed 20 January 2026.

⁹² *Uber* (n 88).

⁹³ 'Recent Case: *Uber BV v. Aslam*' (*Harvard Law Review Blog*, 8 March 2021) <https://harvardlawreview.org/blog/2021/03/recent-case_uber-bv-v-aslam/> accessed 20 January 2026.

not profit maximisation.⁹⁴ The regulatory compliance is often incorporated in the business model of modern enterprises,⁹⁵ particularly those that are platform and logistics-driven businesses. Where such a model demands standardisation of behaviour of labour on a constant basis, the party who enforces such standardisation must always hold an employer-type of position regardless of intention.

This argument is especially accurate in the current case of warehouses run by vendors. Codes of ethics, safety SOPs, productivity-related compliance measures, and audit-based sanctions do not serve as peripheral protection mechanisms, but rather form the core organising tools of labour.⁹⁶ Considering such regimes as a legally neutral practice of compliance would enable companies to outsource labour and internalize control, which is exactly what the mischief Section 230 of ERA⁹⁷ is trying to stop.

Further, in *HMRC v Professional Game Match Officials Ltd*,⁹⁸ the court supported the analytical force of Uber by explaining that the control in the modern economy is not immediate but systemic. The final decision made by the Court that a decent system of controls might be in place despite the absence of real-life control is true to the modern-day labour regulation. Control in compliance-intensive culture is ex-ante by way of obligatory protocol and ex-post by way of performance measurement and disciplinary leverage, instead

⁹⁴ Adams-Prassl (n 90).

⁹⁵ Wairimu Kibe, 'Why ROC Compliance Matters: The Complete Guide for Modern Enterprises' (*Regulance*, 10 September 2025) <<https://regulance.io/blog/why-roc-compliance-matters-the-complete-guide-for-modern-enterprises/>> accessed 20 January 2026.

⁹⁶ 'New labour codes implemented across the country effective 21 November 2025' (*EY*, 21 November 2025) <www.ey.com/content/dam/ey-unified-site/ey-com/en-in/alerts-hub/2025/11/new-labour-codes-implemented-across-the-country-effective-21-november-2025.pdf> accessed 20 January 2026.

⁹⁷ Employment Rights Act 1996, s 230.

⁹⁸ *Commissioners for His Majesty's Revenue and Customs v Professional Game Match Officials Ltd* [2024] UKSC 29.

of continuous vigilance. This is a sound and normatively accurate understanding in current circumstances.

In the case of Indian warehouses, their relevance is not in the factual similarities but the conceptual change of direction, as supported by UK courts, that the existence of a binding normative framework to conduct, safety, performance, and discipline is, in itself, indicative of subordination. It does not matter whether such norms are confirmed as an ESG requirement, safety, or ethical norms to the living reality of the worker. With the UK position showing, compliance cannot be a haven where it brings employer-like power. On this basis, the warning message to the principal employers in India on the UK experience is that, in the absence of a clear statutory or judicial distinction between compliance supervision and functional labour control, compliance-based outsourcing carries a risk factor of being judicially characterised as a form of disguised employment.

B. New Zealand: The ‘Window Dressing’ Doctrine

New Zealand goes even further in directing courts to identify the real nature of the relationship regardless of contractual description under the Employment Relations Act 2000.⁹⁹ In *Rasier Operations BV v E Tū Inc*,¹⁰⁰ read alongside the enduring framework in *Bryson v Three Foot Six Ltd*,¹⁰¹ the courts were willing to treat digital steering, ratings systems, incentive structures, and disciplinary consequences as part of an integrated control

⁹⁹ Employment Relations Act 2000.

¹⁰⁰ *Rasier Operations BV v E Tū Inc* [2025] NZSC 162.

¹⁰¹ *Bryson v Three Foot Six Ltd* [2005] NZSC 34.

analysis.¹⁰² ¹⁰³ The important comparative point is that indirect and systematised control is not treated as weaker merely because it is embedded in software or incentives rather than delivered face-to-face. For India, this suggests the value of a functional inquiry that can recognise organisational and algorithmic control without collapsing every outsourcing arrangement into direct employment.

The SC in *Rasier Operations BV v E Tū Inc*¹⁰⁴ clearly overturned the complicated contractual construction of Uber as window dressing and admitted that behavioural nudges, incentive schemes, price movement and performance boards were used as tools of managerial control¹⁰⁵ where non-conformity would result in economic or reputational cost. Most importantly, the Court did not accept algorithmic steering as a gentler or weaker control than traditional one and recognised that digital systems are capable of punishing labour in a more widespread and incessant manner than traditional control. Further, in *Bryson v Three Foot Six Ltd*¹⁰⁶ it was affirmed that control may exist even where it is indirect, systematised, or embedded in organisational processes. New Zealand jurisprudence narrows in on a substantive point that the lack of human supervisors or formal disciplinary authority is irrelevant.

When extended to warehouses run by vendors, this would make compliance audits, performance incentives based on ESG, as well as software-

¹⁰² Swarup Chatterjee & Dr Rajvardhan, 'Operational Pitfalls in Execution and Termination of E-Contracts: A Legal Perspective' (2025) 5(6) IJLR <<https://ijlr.iledu.in/wp-content/uploads/2025/04/V5I697.pdf>> accessed 20 January 2026.

¹⁰³ 'Supreme Court upholds the Court of Appeal's decision that Uber drivers are employees' (*Lexology*, 18 November 2025) <www.lexology.com/library/detail.aspx?g=f819abcc-14a6-468c-b7ef-0f643d9f5987> accessed 20 January 2026.

¹⁰⁴ *Rasier* (n 100).

¹⁰⁵ *Lexology* (n 103).

¹⁰⁶ *Bryson* (n 101).

directed work allocation as a manifestation of employer prerogative, pushing the formal role of a contractor to the margins. New Zealand, therefore, provides a conceptually consistent paradigm where compliant infrastructure is viewed as a locus of power that has the ability to create employment relations in instances where it organises dependency and limits worker autonomy in practice.

N. The EU: Regulating the ‘Algorithmic Boss’

The EU approaches the issue not only through adjudication but also through regulation. Directive (EU) 2024/2831 on improving working conditions in platform work reflects a broader willingness to treat algorithmic management and digital supervision as legally significant forms of labour control.¹⁰⁷ Read together with data-protection protections under the GDPR¹⁰⁸ and case law such as *Yodel* and *FNV Kunsten*, the EU position highlights how software-mediated direction, monitoring, and behavioural rules can become evidence of subordination. For India, the key lesson is that digital infrastructure itself may be part of the control analysis, especially where it shapes pace, access, discipline, or reputational standing.

Further, Article 22¹⁰⁹ and Article 88¹¹⁰ of the General Data Protection Regulation¹¹¹ (‘GDPR’) create more intense protection in cases where automated decision-making establishes access to work, termination or reputational standing, the EU framework explicitly connects the domination

¹⁰⁷ Fred Konneh Songa Monson & Naa Adjeley Sackey, ‘Navigating data protection in the European Union: achievements, challenges, and future directions’ (2025) 6 *Int Cybersecur Law Rev* <<https://link.springer.com/article/10.1365/s43439-025-00157-1>> accessed 20 January 2026.

¹⁰⁸ General Data Protection Regulation 2016, art 22.

¹⁰⁹ *ibid.*

¹¹⁰ General Data Protection Regulation 2016, art 88.

¹¹¹ General Data Protection Regulation 2016.

of data and digital infrastructure with labour subordination. This direction is further strengthened by the jurisprudence of the Court of Justice of European Union ('CJEU') in the case of *Yodel Delivery Network Ltd v Böttcher*,¹¹² wherein the formal freedom of contract turned out to be an illusion where the autonomy was restricted by the operational reality, and in the case of *FNV Kunsten*,¹¹³ the economic dependency and structural integration justified the protection of labour under this condition, even though the contract was not formally established. Collectively, the EU law conceptualises the system of compliance, productivity algorithms, and digital governance tools as constitutive control mechanisms.

In the case of vendor-operated warehouses, it might consider the ownership or control over inventory management software, productivity dashboards, biometric access control and AI-controlled safety measures as legally relevant evidence of subordination and reposition compliance infrastructure itself as a source of employer power as opposed to a regulatory provision.

O. The US: The 'Quality Control' Shield

In stark contrast to the Commonwealth and EU trends, the US is still cementing a formalist conception of employment,¹¹⁴ which shields compliance-based and quality-driven oversight against labour liability, in highly regulated outsourcing settings. US law, underpinned by the National Labor Relations Act¹¹⁵ and augmented by the reinstated Joint Employer Rule,

¹¹² *Yodel Delivery Network Ltd v Böttcher* Case C-692/19.

¹¹³ *FNV Kunsten Informatie en Media v Staat der Nederlanden* Case C-413/13.

¹¹⁴ Bruce White, 'ESG in 2024 and Outlook for 2025 in the US and EU: A Tale of Two Regions' (*NLR*, 7 January 2025) <<https://natlawreview.com/article/esg-2024-and-outlook-2025-us-and-eu-tale-two-regions>> accessed 20 January 2026.

¹¹⁵ National Labor Relations Act 1935.

2020,¹¹⁶ demands that the essential terms of hiring, firing, wages and scheduling be substantially, directly, and immediately controlled to allow employer status to be implicated. This standard was reaffirmed in *Chamber of Commerce v NLRB*¹¹⁷ where the Fifth Circuit struck down any effort to deem indirect or reserved control a sufficient legal standard, in effect reinstating a doctrine of separation between operational influence and employment liability.

On this basis, the courts have always viewed safety measures, brand requirements, productivity levels, and regulatory compliance tools as devices of quality-neutrality rather than a symbol of managerial control,¹¹⁸ provided that the formal tools of employment have been kept under contractual disposition in an intermediary. The interventions are insulated by the quality control doctrine even where the principals create elaborate manuals on how to operate or engage real-time monitoring of the performance unless such interventions are to end in actual person actions. What this has created is a legal climate of legal internalisation of functional control and the legal externalisation of labour risk to justify the practice of compliance-heavy outsourcing as a sustainable business model.

¹¹⁶ Joint Employer Rule 2020.

¹¹⁷ *Chamber of Commerce of the United States v NLRB* No 6:23-cv-00553.

¹¹⁸ *Zheng v Liberty Apparel Co* 355 F3d 61 (2d Cir 2003).

V. RE-BALANCING CONTROL AND LIABILITY: THE WAY FORWARD

A. *Clarificatory Reforms*

1. STATUTORY RECOGNITION OF COMPLIANCE NEUTRALITY

First, delegated legislation under the OSH Code¹¹⁹ should clarify that mere statutory compliance oversight, standing alone without any further traditional indicators of functional control being fulfilled, is not determinative of an employment relationship. Further, treating every compliance as evidence of employment could discourage legitimate safety, welfare, and ESG oversight since certain compliances are imposed by law and are directed towards achieving regulatory outcomes rather than managing labour. Thus, a carefully drafted principle of compliance neutrality could specify that safety standards, ethics protocols, audit requirements, and ESG-related controls should not automatically be treated as evidence of employment unless they extend into method-level supervision, individual performance direction, or disciplinary control. Such clarification would not weaken worker protection since it would be paired with a clear rule that once the principal employer crosses from outcome-based compliance into substantive control over labour, liability shall follow.

2. LEGISLATING THE STATUTORY CONTROL SAFE HARBOUR

The Ministry of Labour and Employment ('MoLE') may notify a Safe Harbour clarification for the employers under the OSH Code which clarifies that mere supervision to guarantee that the safety, welfare, or ESG norms are met is not constitutive of an effective control in the determination of employment, unless accompanied by day-to-day working instructions or

¹¹⁹ Occupational Safety, Health and Working Conditions Code 2020.

algorithmic adjustments affecting the workers. This finds its foundation in the US's distinction between compliance oversight and labour management. However, unlike the broader protection afforded under US quality-control regime, the safe harbour would remain conditional and cease to apply where principal employers exercise substantive control over the manner, allocation, or discipline of work. It may be applicable in cases where the Principal Employer does not intervene in such commercial measures as individual pick-rates or shift scheduling, only to interfere in cases of legal and safety violations, therefore, making the safe harbour conditional.

One might state that statutory control safe harbour would legalise camouflaged employment by letting the principal employers to maintain effective control in the name of compliance, but the conditional and narrow-focused aspect of the safe harbour will make sure that any obstruction of commercial or managerial operations or functions will automatically revoke such protection. Hence, compliance oversight should be protected only when it remains genuinely outcome-oriented and regulatory in nature. Once it begins to organise, direct, allocate, evaluate, or discipline labour, it ceases to be protected and becomes evident functional control.

B. Institutional Reforms

1. MANDATORY AUTONOMY CLAUSES IN CONTRACTOR ENGAGEMENTS

To address the practical reality where contractors become mere intermediaries while principals exercise real control through SOPs and audits, mandatory autonomy clauses in contractor engagements should be introduced. This proposal finds support in New Zealand jurisprudence, particularly

*Bryson*¹²⁰ and *Rasier Operations*,¹²¹ where courts looked beyond contractual drafting to determine whether contractors retained genuine authority over recruitment, supervision, discipline, and work allocation. The OSH Code, Rules or the Model Standing Orders ought to make it compulsory to include the necessary clauses of autonomy in contracts between principal employers and contractors explicitly assigning the recruitment, supervision, wage payment, and disciplinary power to the contractor and the minimal role of the principal employer to report the compliance audit findings. This suggestion addresses the real issue of shadow control that has been developed due to the ill-constructed contracts and informal operating rules. Although critics might say that mandatory clauses limit commercial freedom, they simply formalize already existing concepts of law and lessen the problem of misclassification without having to intervene in the actual cases of outsourcing.

2. FUNCTIONAL GUIDELINES FOR LABOUR INSPECTION

The labour inspection should move beyond documentary formalism. Guidance issued by the MoLE under the OSH Code could direct inspectors to assess functional indicators such as who determines work methods, who can trigger disciplinary action, who controls allocation and pace of work, and who operates the relevant digital systems. Section 230 of the UK's Employment Rights Act, 1996¹²² and Section 6 of the Employment Relations Act, 2000¹²³ of New Zealand, made it clear that the courts should look beyond contractual labels and examine the practical reality of the relationship. This would better align enforcement practice with contemporary outsourcing structures. Concerns about excessive discretion can be mitigated through standardised

¹²⁰ *Bryson* (n 101).

¹²¹ *Rasier* (n 100).

¹²² Employment Rights Act 1996, s 230.

¹²³ Employment Relations Act 2000, s 6.

checklists, examples, and training modules that distinguish compliance monitoring from substantive labour control.

3. INDEPENDENT ETHICS OMBUDSMAN

In order to address the liability vacuum created by compliance-driven control without procedural accountability, internal grievance redressal mechanisms for vendor staff may be complemented with an independent Third-Party Ombudsman. Instead of HR handling vendor complaints, the Ombudsman would receive, triage, and route grievances. The principal employer gets data on compliance trends but remains walled off from individual dispute resolution, which is remanded to the vendor. It also ensures ESG compliance without creating the “integration” evidence of a direct employer. While critics may argue that an independent ethics ombudsman reflects employer integration, its neutrality of compliance, with its purely procedural, non-judgmental nature, consisting of triage and trend analysis, does not constitute employment control.

C. Doctrinal Reforms

1. RECOGNITION OF ALGORITHMIC CONTROL

Drawing from the EU’s practice, algorithmic control should be recognised as a form of employer control. While Articles 22¹²⁴ and 88 of the GDPR¹²⁵ and Directive (EU) 2024/2831¹²⁶ do not directly regulate employment classification, they recognise that automated systems can significantly influence access to work, performance evaluation, disciplinary outcomes, and reputational standing. Indian labour law should, therefore, recognise that

¹²⁴ General Data Protection Regulation 2016, art 22.

¹²⁵ General Data Protection Regulation 2016, art 88.

¹²⁶ EU Directive 2024/2831.

digital systems can exercise control as effectively as human supervisors. While these instruments do not directly regulate employment classification, they recognise that automated systems can significantly influence access to work, performance evaluation, disciplinary outcomes, and reputational standing. However, recognition of algorithmic control may also lead to a conflict as to who exercises actual control where one party, that is, either the contractor or the principal employer, deploys the system while the other utilizes it. In such a situation, the effective control should be attributed to the party using the digital system for operational benefit rather than the party deploying it.

There is the potential, of course, for the critics to argue that recognising algorithmic systems as evidence of control could produce uncertainty for the businesses that rely on digital tools for efficiency, safety, or compliance with regulatory requirements. However, the proposed method involves an analysis of whether the use of technology creates an employment relationship rather than blindly presuming so. The algorithmic tools used should be legally relevant only when they have a significant impact on the manner, allocation, evaluation, or discipline of work, ensuring that liability is linked to functional control rather than the mere use of technology.

D. The Integrated Test of Employment

Finally, courts should move toward an integrated employment test better suited to compliance-intensive and digitally managed workplaces, drawing from the UK and New Zealand approach, which prioritise the substance of the working relationship over contractual form and reject arrangements that obscure the true allocation of control. Rather than relying predominantly on formal documentation, the inquiry should consider at least five factors: functional control over how work is performed; economic integration into the

principal's core business; structural dependency created by unilateral standards or systems; algorithmic direction over pace, allocation, or access to work; and normative control exercised through codes, audits, and sanction-linked compliance processes. This proposal incorporates lessons from both the UK and New Zealand. From the UK Supreme Court's decision in *Uber BV v Aslam* comes the principle that employment classification should be based on the practical reality of the relationship rather than contractual labels.¹²⁷ From New Zealand jurisprudence comes the emphasis on the "real nature" of the relationship and the rejection of contractual window dressing.¹²⁸ No single factor should be decisive in every case, but such a framework would better align liability with substantive power while preserving room for legitimate outsourcing arrangements.

VI. CONCLUSION

Vendor-operated warehouses expose a growing tension at the heart of Indian labour law: formal employment may remain with the contractor even while substantive influence over the labour process is increasingly exercised through the compliance architecture of the principal employer. Safety systems, ethics mandates, audit regimes, and digital productivity tools do not invariably create an employment relationship, but neither should they be treated as legally irrelevant simply because they are framed as compliance. Where such systems structure the manner, pace, discipline, and continuity of work, they may perform functions traditionally associated with employer control.

¹²⁷ *Uber* (n 88).

¹²⁸ *Rasier* (n 100).

A. Doctrinal and Regulatory Stabilisation

In order to clarify the boundary between compliance oversight and employment control without disrupting existing outsourcing models, the first phase will focus on the doctrinal and regulatory stabilisation of the vendor-operated warehouses. This step is aimed at decreasing the legal uncertainty in the short term through the definition of the line between compliance supervision and employment regulation. By the use of delegated legislation, safe-harbour provisions, model autonomy clauses in contractor agreements, and sensitisation of labour inspectors, the law can accept compliance-based interventions to be neutral provided they are outcome-focused and do not involve interference with the method level of supervision or individual disciplining.

The central task, therefore, is not to collapse all outsourcing into employment, but to develop a more principled distinction between legitimate compliance oversight and functional labour control. Indian law will remain under-responsive if it continues to privilege documentary indicators alone in workplaces increasingly governed by standards, software, and platform-like forms of supervision. A modern doctrine of employment classification must be capable of recognising normative and algorithmic subordination where it exists, while preserving operational flexibility where contractors retain genuine autonomy.

1. INSTITUTIONAL AND ENFORCEMENT ALIGNMENT

The second stage is a match-up of enforcement mechanisms with current outsourcing reality, as it moves inspections to documentary formalism to functional indicators of control. The safeguarding of workers and accountability of the ESG through the introduction of independent ethics

ombudsmen and formal assessment of the algorithmic and compliance systems will not crumble the contractor-employee relationship by imposing too much responsibility on the principal levels.

Ultimately, the legitimacy of outsourced warehousing in India will depend on whether legal responsibility follows contractual form alone or also responds to substantive power. If compliance systems increasingly organise, discipline, and measure labour, then labour law must be able to see them for what they may become: not merely neutral governance devices, but potential instruments of control.

2. STRUCTURAL RECALIBRATION OF EMPLOYMENT DOCTRINE

In the long term, employment doctrine should change to consider the normative and algorithmic control as legally applicable forms of subordination. The integration of an employment test and recalibration of statutory exceptions, e.g. abrupt increase in workload, adopted by courts will be able to make sure that the liability is taken not only by the contractual form but also by the substantive control.

B. What Lies Ahead?

The future of vendor-operated warehousing is based on whether the Indian labour law will be able to reconcile flexibility with accountability in the compliance-based workplaces. An outsourced and controlled validation of compliance as a possible control without the assumption of it as a steady job will ascertain the future of outsourcing as a valid and viable form of work in the Indian logistics economy.