

Andhra Pradesh eases working conditions for the Information Technology and Information Technology-Enabled Services sector to boost operational flexibility

In 2002, the Government of Andhra Pradesh first issued a notification exempting Information Technology (“IT”) and IT-Enabled Services (“ITeS”) establishments from certain provisions of the Andhra Pradesh Shops and Establishments Act, 1988 (“AP S&E Act”), for a period of 5 (five) years, effective from May 30, 2002. This exemption has been renewed periodically to support the growth of the IT and ITeS sector within the State. Most recently, on March 25, 2025, the Andhra Pradesh government issued a new notification (“AP Exemption 2025”), which further extends the exemption under the AP S&E Act for a period of 5 (five) years, effective from March 25, 2025, subject to fulfilment of certain conditions. This move underscores the State Government’s continued commitment to creating a conducive environment for the IT/ITeS sectors, which remain a cornerstone of the state’s economic growth.

Key features and conditions of the AP Exemption 2025

The AP Exemption 2025 offers IT/ITeS companies with greater flexibility by relaxing several operational provisions. This includes exemptions from restrictions on opening and closing hours¹, daily and weekly work hours², as well as the employment of young persons before 6:00 am and after 7:00 pm³. Additionally, the exemption, subject to certain safety and security conditions, allows for the employment of women in night shifts⁴ which was already permitted under the 2018 amendment to the AP S&E Act. It also facilitates operations on national and festival holidays⁵, and simplifies conditions related to employee terminations and the payment of service compensation⁶.

Under the AP Exemption 2025, IT/ITeS establishments in the State are allowed to operate round the clock and implement flexible work arrangements as needed. However, this exemption is accompanied by a clear set of conditions designed to protect the rights and welfare of employees.

The AP Exemption 2025 also makes it clear that in the event of non-compliance with any of the stipulated conditions, the exemption may be revoked without any prior notice.

The exemption granted to IT/ ITeS establishments is subject to the following conditions, to ensure the welfare of employees, while promoting ease of doing business:

¹ Section 15 of the AP S&E Act.

² Section 16 of the AP S&E Act.

³ Section 21 of the AP S&E Act.

⁴ Section 23 of the AP S&E Act.

⁵ Section 31 of the AP S&E Act.

⁶ Sub section (1), (2), (3) and (4) of Section 47 of the AP S&E Act.

1. **Working hours and overtime wages:** The AP S&E Act prescribes a standard 8 (eight) hour workday with a weekly cap of 48 (forty-eight) hours limiting the total working hours (inclusive of overtime) to 12 (twelve) hours per day and 62 (sixty-two) hours per week. It also restricts overtime work exceeding 7 (seven) consecutive days and caps overtime hours to a maximum of 50 (fifty) hours per month.

Under the AP Exemption 2025, the weekly hours are capped at 48 (forty-eight) hours and any work done beyond such threshold would trigger the obligation to pay overtime wages. However, the AP Exemption 2025 does not limit the maximum number of overtime hours an employee can work on a daily, weekly, or monthly basis, nor does it prohibit employers from requiring employees to work overtime on consecutive days.

2. **Weekly Off:** Irrespective of the exemptions, a weekly-off day must necessarily be granted to every employee.
3. **Engaging female employees and young persons during night shifts:** An establishment is permitted to engage young persons and female employees during night shifts, that is between 8:30 pm to 6:00 am. However, unlike in the case of Telangana, where the exemption conditions applicable to IT/ITeS establishments specifically require employers to provide adequate security during the shift and transportation to both young persons and female employees, the AP Exemption 2025 casts such obligations specifically for the safety and security of female employees engaged during night shifts, which are set out below:
 - a) **Security and transportation:** Female employees will be provided with adequate security and transportation to and from their residences.
 - b) **Driver screening and verification:** Employers must obtain the biodata of each driver and conduct thorough pre-employment screenings to verify the antecedents of all drivers, whether employed directly or through outsourcing. Information such as the driver's driving license, photograph, address, mobile number, and other relevant details must also be retained by the employer.
 - c) **Pick-up and drop-off schedules:** The schedule and route for pick-up and drop-off of female employees must be planned by the supervisory officer of the establishment every Monday. If Monday is a holiday, the schedule will be prepared the following working day. In cases of emergency, changes to the driver, route, or shift may be made but only with prior knowledge of the supervisory officers and the employees.
 - d) **Confidentiality of personal information:** The telephone number, particularly mobile phone numbers and addresses of the female employees must not be disclosed to unauthorised persons.
 - e) **Route Selection:** Careful selection of routes must be made such that no female employee is picked up first or dropped last.
 - f) **Security guards:** While not mandatory, security guards may be deployed for female employees during cab drop-offs and pick-ups. The timings as recommended in the AP Exemption 2025 is before 6:00 am and after 8:00 pm.
 - g) **Random vehicle checks and GPS monitoring:** The designated supervisors of the establishment are required to conduct a random on the vehicle on various routes. Further, establishments are required to have a control room for GPS based vehicle movement monitoring, and to have vehicles registered under the VAHAN app besides ensuring that female employees have downloaded the security mobile app of the police department.
 - h) **CCTV surveillance:** The boarding and alighting points must be equipped with CCTV cameras, either installed by the police department or by the establishment, to monitor the safety of female employees.

While the AP Exemption 2025 introduces more robust safety-related provisions, ensuring enhanced security and safer commuting for women working in night shifts, by granting a blanket exemption from all provisions related to women working in night shifts under the AP S&E Act, the AP Exemption 2025 seems to have removed certain additional safeguards, that were previously afforded to female employees under the AP S&E Act. For example, the AP S&E Act prohibits women from working in night shifts for 16 (sixteen) weeks before and after childbirth, which was more beneficial than the restricted period set out under the Maternity Benefit Act, 1961.

4. **Identity cards:** Every employee must also be provided with identity cards and other welfare measures to which they are eligible as per the extant applicable laws.
5. **Compensatory holiday:** Employees working on a notified holiday must mandatorily be given a compensatory holiday in lieu of notified holiday worked, with wages.
6. **Statutory registers:** Employers are permitted to maintain registers under the AP S&E Act in soft copies.
7. **Online filing of returns:** Employers shall file returns of employees in accordance with directions issued by the Labour Factories Boilers and Insurance Medical Service Department on the Ease of Doing Business/Industries department websites.

Termination related exemptions

While several states like Telangana, Gujarat, and Uttar Pradesh, have previously rolled out exemptions for the IT/ITeS sector, primarily addressing work hours, overtime, and employment of women during night shifts; the AP Exemption 2025 interestingly takes a distinct approach by also offering certain exemptions related to employee terminations. Accordingly, the provisions *inter alia* require employers to provide a 1 (one) month notice or payment in lieu of notice upon termination of employment (for employees who have completed 6 (six) months of employment), the requirement to pay 'service compensation' to those employees who have completed at least 1 (one) year of continuous service, the requirement to notify the inspector within a prescribed period when terminating an employee etc., have been removed. Having said that, the termination related protections as available under other applicable labour laws including the Industrial Disputes Act, 1947 will continue to apply.

Conclusion

The extension of the exemption for IT/ ITeS companies in Andhra Pradesh for an additional 5 (five) years is undoubtedly a welcome relief for employers, providing them with increased operational flexibility. By renewing the exemption, the government is ensuring that these sectors continue to thrive with significantly fewer restrictions, which is crucial for their global competitiveness. Having said that, while these exemptions are beneficial, certain conditions could have been better aligned with the realities of today's modern workforce. For instance, the mandate to provide transportation for women working in night shifts is well-intentioned, yet many employees prefer using their personal means of transportation. This raises important questions regarding employers' obligations and liabilities in such scenarios. Likewise, installing CCTV surveillance at boarding and drop points can pose practical challenges for employers adding to their operational complexities.

These exemptions will also be essential to ensure that the broader objectives of employee welfare, fair treatment, and workplace equity are not compromised in the pursuit of operational efficiency. Employers should therefore advocate for a framework that recognises the evolving preferences of the workforce while ensuring compliance with the law.

By fostering an environment that values flexibility alongside responsible employee welfare, a more productive and harmonious workplace can be created, which benefits both organisations and its employees.

Employment Practice

JSA has a team of experienced employment law specialists who work with clients from a wide range of sectors, to tackle local and cross-border, contentious and non-contentious employment law issues. Our key areas of advice include (a) advising on boardroom disputes including issues with directors, both executive and non-executive; (b) providing support for business restructuring and turnaround transactions, addressing employment and labour aspects of a deal, to minimise associated risks and ensure legal compliance; (c) providing transaction support with reference to employment law aspects of all corporate finance transactions, including the transfer of undertakings, transfer of accumulated employee benefits of outgoing employees to a new employer, redundancies, and dismissals; (d) advising on compliance and investigations, including creating compliance programs and policy, compliance evaluation assessment, procedure development and providing support for conducting internal investigations into alleged wrongful conduct; (e) designing, documenting, reviewing, and operating all types of employee benefit plans and arrangements, including incentive, bonus and severance programs; and (f) advising on international employment issues, including immigration, residency, social security benefits, taxation issues, Indian laws applicable to spouses and children of expatriates, and other legal requirements that arise when sending employees to India and recruiting from India, including body shopping situations.

JSA also has significant experience in assisting employers to ensure that they provide focused and proactive counselling to comply with the obligations placed on employees under the prevention of sexual harassment regime in India. We advise and assist clients in cases involving sexual harassment at the workplace, intra-office consensual relationships, including drafting of prevention of sexual harassment (POSH) policies, participating in POSH proceedings, conducting training for employees as well as Internal Complaints Committee members, and acting as external members of POSH Committees.

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