

**Course Name :COMPENSATION MANANGEMENT AND  
LABOUR LAWS**

**Topic Name: The Payment of Wages Act 1936  
Semester: M.Voc- Management (HRM)-Sem II**

# THE PAYMENT OF WAGES ACT, 1936

# INTRODUCTION

- The Payment of Wages Act, 1936 was passed to regulate the payment of wages to certain classes of persons employed in industry.
- In 1925 the first suggestion for the legislation in the act made
- The payment of wages act came into force **28th March, 1937**.
- The first suggestion for legislation in the act was made by a private member's bill called **Weekly Payment Bill** .
- It is essentially meant for the benefit of the industrial employees not getting very high salaries and the provisions of the Act were enacted to safeguard their interest.
- It also provides against irregularities in payment of wages and unauthorized deductions there form by the employers.
- Further, it ensures payment of wages in a particular form and at regular intervals without unauthorized deductions.

# DEFINITIONS

**Wages [Sec. 2 (vi)]:-** Means all remuneration (whether by way of salary, allowances, or otherwise) expressed in terms of money or capable of being so expressed which would, if the terms of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, and includes-

- (a) Any remuneration payable under any award or settlement between the parties or order of a court;
- (b) Any remuneration to which the person employed is entitled in respect of overtime work or holidays or any leave period;
- (c) Any additional remuneration payable under the terms of employment
- (d) Any sum which by reason of the termination of employment of the person employed is payable under any law, contract or instrument which provides for the payment of such sum, whether with or without deductions, but does not provide for the time within which the payment is to be made;
- (e) Any sum to which the person employed is entitled under any scheme framed under any law for the time being in force,

# DEFINITIONS

But does not include-

- (1) Any bonus (whether under a scheme of profit sharing or otherwise) which does not form part of the remuneration payable under the terms of employment or which is not payable under any award or settlement between the parties or order of a court;
- (2) The value of any house-accommodation, or of the supply of light, water, medical attendance or other amenity or of any service excluded from the computation of wages by a general or special order of the State Government;
- (3) Any contribution paid by the employer to any pension or provident fund, and the interest which may have accrued thereon;
- (4) Any traveling allowance or the value of any traveling concession;
- (5) Any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment; or
- (6) Any gratuity payable on the termination of employment in cases other than those specified in sub-clause.

# PAYMENT OF WAGES (Sec. 3 to 6)

## I. Responsibility for payment of wages [Section 3].

Every employer shall be responsible for the payment to persons employed by him of all wages required to be paid. The maximum wage period for the payment of wages is One Month

- In the case of the factory, manager of that factory shall be liable to pay the wages to employees employed by him.
- In the case of industrial or other establishments, persons responsibility of supervision shall be liable for the payment of the wage to employees employed by him.
- In the case of railways, a person nominated by the railway administration for specified area shall be liable for the payment of the wage to the employees.
- In the case of contractor, a person designated by such contractor who is directly under his charge shall be liable for the payment of the wage to the employees. If he fails to pay wages to employees, person who employed the employees shall be liable for the payment of the wages .

# PAYMENT OF WAGES (Sec. 3 to 6)

## II. Fixation of wage-periods. [Section 4]

Every person responsible for the payment of wages under section 3 shall fix periods in respect of which such wages shall be payable. No wage-period shall exceed one month. That means wage can be paid on daily, weekly, fortnightly (for every 15 days) and monthly only. Wage period for payment of wages to employees by employer should not exceed 30 days i.e. one month according to this act.

But wages cannot be paid for quarterly, half yearly or once in a year.

Note:

In any factory or industrial establishment where less than 1000 employees are employed the wages shall be paid before the expiry of the 7th day.

# PAYMENT OF WAGES (Sec. 3 to 6)

## III. Time Of Payment Of Wages. [Section 5]

- In railway factory or industrial or other establishment, if there are less than 1000 employees, wages of employees should be paid before the expiry of the 7th day after the last day of the wage period. (ex:- wages should be paid on starting of present month within 7 days i.e. before 7th date if wage is paid on 1st in previous month )
- In other railway factory or industrial or other establishment, if there are more than 1000 employees, wages of employees should be paid before the expiry of the 10th day after the last day of the wage period. (ex:- wages should be paid on starting of present month within 10 days i.e. before 10th date if wage is paid on 1st in previous month )
- For employees of port area, mines, wharf or jetty, wages of employees should be paid before the expiry of the 7th day after the last day of the wage period.



# PAYMENT OF WAGES (Sec. 3 to 6)

## [Sec 5 (2)]

- If the employee is terminated or removed for the employment by the employer the wage of that employee should be paid within 2 days from the day on which he was removed or terminated.
- **Illustration:** if the employee was terminated or removed from the employment by the employer on 10th of this month, his wage should be paid within 2 days from the day on which he was removed or terminated, i.e. his/her wage should be paid by 12th date of this month and this date should not exceed.

## [Sec 5 (3)]

With the consultation of the central government, state government having power and can change the person responsible for the payment of the wages in Railways, or person responsible to daily-rated workers in the Public Works Department of the Central Government or the State Government.

## [Sec 5 (4)]

Except the payment of wage of the terminated employee, all the wages of the employees should be paid by their employer on the working day only.

# PAYMENT OF WAGES (Sec. 3 to 6)

## WAGES TO BE PAID IN CURRENT COIN OR CURRENCY NOTES [Section 6]

All the wages of the employees must be paid in form of currently using currency notes or coins or in both forms.

Note:

The power is vested in the State Government to make the act applicable to payment of wages to any class of persons employed in any establishment or class of establishments specified in section 2(h) by giving 3 month's notice to that effect.

# DEDUCTION FROM WAGES

## (Sec.7 to 13)

### I. DEDUCTIONS FOR FINES [Sec.7 (2)(a) and 8]

- (1) No fine shall be imposed on any employed person save in respect of such **acts and omissions** on his part as the employer, with the previous approval of the State Government or of the prescribed authority, may have specified by notice under sub-section (2).
- (2) A **notice** specifying such acts and omissions shall be exhibited in the prescribed manner on the premises in which the employment is carried on or in the case of persons employed upon a railway (otherwise than in a factory), at the prescribed place or places.
- (3) No fine shall be imposed on any employed person until he has been given an opportunity of **showing cause** against the fine, or otherwise than in accordance with such procedure as may be prescribed for the imposition of fines.
- (4) The total amount of fine which may be imposed in any one wage-period on any employed person shall not exceed an amount equal to **three per cent** of the wages payable to him in respect of that wage-period.
- (5) No fine shall be imposed on any employed person who is under the age of **fifteen years**.
- (6) No fine imposed on any employed person shall be recovered from him by **installments or after the expiry of sixty days from the day on which it was imposed**.

# DEDUCTION FROM WAGES (Sec.7 to 13)

## II. DEDUCTIONS FOR ABSENCE FROM DUTY [Sec.7 (2)(b) and 9]

- (1) Deductions may be made under clause (b) of sub-section (2) of section 7 only on account of the absence of an employed person from the place or places where, by the terms of his employment, he is required to work, such absence being for the whole or any part of the period during which he is so required to work.
- (2) The amount of such deduction shall in no case bear to the wages payable to the employed person in respect of the wage-period for which the deduction is made in a larger proportion than the period for which he was absent bears to the total period, within such wage-period, during which by the terms of his employment, he was required to work: PROVIDED that, subject to any rules made in this behalf by the State Government, if ten or more employed persons acting in concert absent themselves without due notice (that is to say without giving the notice which is required under the terms of their contracts of employment) and without reasonable cause, such deduction from any such person may include such amount not exceeding his wages for eight days as may by any such terms be due to the employer in lieu of due notice.

# DEDUCTION FROM WAGES (Sec.7 to 13)

## III. DEDUCTIONS FOR DAMAGE OR LOSS [Sec.7 (2)(c), (m), (n) and (o) and 10]

(1) A deduction under clause (c) or clause (o) of sub-section (2) of section 7 shall not exceed the amount of the damage or loss caused to the employer by the neglect or default of the employed person.

(1A) A deduction shall not be made under clause (c) or clause (m) or clause (n) or clause (o) of sub-section (2) of section 7 until the employed person has been given an opportunity of showing cause against the deduction or otherwise than in accordance with such procedure as may be prescribed for the making of such deduction.]

(2) All such deduction and all realizations thereof shall be recorded in a register to be kept by the person responsible for the payment of wages under section 3 in such form as may be prescribed.

# DEDUCTION FROM WAGES (Sec.7 to 13)

## IV. DEDUCTIONS FOR SERVICES RENDERED [Sec.7 (2) (d), (e) and 11]

A deduction under clause (d) or clause (e) of sub-section (2) of section 7 shall not be made from the wages of an employed person, unless the house-accommodation amenity or service has been accepted by him, as a term of employment or otherwise, and such deduction shall not exceed an amount equivalent to the value of the house-accommodation amenity or service supplied and, in the case of deduction under the said clause (e), shall be subject to such conditions as the State Government may impose.

# DEDUCTION FROM WAGES (Sec.7 to 13)

## V. DEDUCTIONS FOR RECOVERY OF ADVANCES [Sec.7 (2)(f) and 12]

Deductions under clause (f) of sub-section (2) of section 7 shall be subject to the following conditions, namely:

- (a) Recovery of an advance of money given before employment began shall be made from the first payment of wages in respect of a complete wage-period, but no recovery shall be made of such advances given for traveling-expenses; recovery of an advance of money given after employment began shall be subject to such conditions as the State Government may impose.
- (b) Recovery of advances of wages not already earned shall be subject to any rules made by the State Government regulating the extent to which such advances may be given and the installments by which they may be recovered.

# DEDUCTION FROM WAGES (Sec.7 to 13)

## VI. DEDUCTIONS FOR RECOVERY OF LOANS [Sec.7 (2)(fff) and 12-A]

Deductions for recovery of loans granted under clause (fff) of subsection (2) of section 7 shall be subject to any rules made by the State Government regulating the extent to which such loans may be granted and the rate of interest payable thereon.

Section 10 of the act covers deduction for damage or loss.

Note:

Deduction under section 7 of payment of wages act is not authorized for payment of uniform and property



# DEDUCTION FROM WAGES (Sec.7 to 13)

## VII. DEDUCTIONS FOR PAYMENTS TO CO-OPERATIVE SOCIETIES AND INSURANCE SCHEMES [Sec.7 (2)(j) and (k) and 13]

- (a) Deductions for payment to co-operative societies approved by the government or to a scheme of insurance maintained by the Indian Post Office [Sec. 7 (2) (j) and
- (b) Deductions made with the written authorization of the person employed for the payment of any premium on his life insurance policy to the Life Corporation of India or for the purchase of securities of the government of India or of any appropriate Government or for being deposited in any Post Office Saving Bank in furtherance of any saving scheme of any such Government [Sec. 7 (2) (k)].
- These deductions shall be subject to such conditions as the appropriate government may impose [Sec.13]

# Other deductions

- Income tax
- PF
- LIC
- Welfare fund
- Fidelity guarantee bonds
- Acceptance of counterfeit coins or mutilated forged currency notes
- Improper rebate or refund
- Deduction for recovery of loans -----, Section 12 A
- 2. Deduction from wages -----, Section 7
- 3. Deduction for services rendered -----, Section 11
- 4. Deductions from absence of duty -----, Section 9

# AUTHORITIES

- Inspector of factories also inspector under this act. sec(14)
- Appointment of a person to hear claims for deductions, late payment .sec(15). That Person can be-
  - ✓ commissioner for workers compensation
  - ✓ Regional or assistant labor commissioner
  - ✓ In a factory if a person has been named as manager of the factory under the clause (f) of sub section 1 of section 7 of the factories act, he is responsible to make the payments of the employees.
  - ✓ Presiding officer of labor court or industrial tribunal.
  - ✓ Section 25 A takes care of payment of undisbursed wages in case of death of employed person.
  - ✓ A single application may be presented under section 15 on behalf or in respect of any number of employed persons.

# RESPONSIBILITIES OF EMPLOYER

1. Wage period not exceeding one month.
2. Wages by cash or cheque.
3. Pay wages on any working day.
4. Not to impose fines exceeding 3% of wages.
5. Recover fines with 90 days of offence.
6. To maintain register of wages, fines, deductions, advances.
7. penalty Of 500 is imposed for those who contravene the provision of section 4 sub section (4) of section 5 or 10 or 25.
8. the maximum limit of fine to be imposed on an employee should not exceed an amount equal to 3% of the wages payable

# THE MINIMUM WAGES ACT, 1948

# OBJECTIVES OF THE ACT

To **provide minimum wages** to the workers working in **organized sector**

To **stop exploitation** of the workers

To **empower** the government to take steps for **fixing** minimum wages and to **revising** it

in a timely manner

To **apply this law** on most of the sections in organized sector (scheduled employment)

# Broad Features of the Act

- **[Sec 3]:** The Act lays down the principles for fixation of
  - A minimum time rate of wages
  - A minimum piece rate
  - A guaranteed time rate
  - An overtime rate for different occupations, localities or classes of work and for adults, adolescents, children and apprentices
- **[Sec 4]:** The minimum wages may consist of
  - A basic rate of wages and a cost of living of allowances
  - A basic rate of wages with or without the cost of living allowance and the cash value of the concessions in respect of essential commodities supplied at concessional rates

# Short Title and Extent [Sec. 1]

- This Act, the Minimum Wages Act, 1948 extends to the **whole of India**
- This Act may be called **the Minimum Wages Act, 1948**



# Who all are eligible?

- Permanent employees
- Contract employees
- Casual workers
- People on probation get fixed pay instead of minimum wages.
- Trainees get stipend and not minimum wages

# Fixing of minimum rate of wages [Sec. 3]

The Appropriate Government:

- Shall fix minimum rates of wages for an **employment** specified in **Part I or Part II of Schedule** & added by **notification** in official gazette
- May **fix rates** for a **part** of the state or for any **specific class** or classes instead of fixing minimum rate of wages for whole state
- Shall **review and revise** at intervals **not** exceeding **5 years** the minimum rates of wages

# Different Minimum Wages May Be Fixed By The Government For:

- Different **employments** (specified in the schedule)
- Different **classes** (e.g. skilled, unskilled, semis skilled, etc.) of work in the same employments
- Adults, adolescents, children and apprentices
- Different **localities**

# SEGREGATION

Minimum rates of wages may be fixed by any one or more of the following wage periods, namely:

- **By the hour**
- **By the day**
- **By the month**

- 
- **By such other larger wage period**

as may be prescribed; and where such rates are fixed by the day or by the month, the manner of calculating wages for a month or for a day, as the case may be, may be indicated

# Different Minimum Wages May Be Fixed By The Government May consist of [Sec. 4]

1. **Basic + Special Allowance** (Which varies with the cost of living index)
2. **Basic + Cash value** of concessional supply of materials like food, clothes, etc
3. **An all inclusive rate** which includes Basic + Cost of living Allowance + Cash value of concessional supply of materials



# Fixing Minimum Rates of Wages [Sec. 5]

- **Publish** its proposals in the **official gazette** asking comments from the affected parties
- Constitute **committees/sub committees** for the purpose.
- The committees/sub-committees and advisory boards constituted by the Government consist of equal number of members of :
  - Employers
  - Employees, and
  - Independent persons

Compensation Management and Labour Laws Mvoc



# Fixation of minimum wages

Recommendation of Advisory Board for different class  
[unskilled, skilled, Clerk, Supervisor]



Publish recommendations in National Publications [for public  
comments/representations from Trade Unions etc.]



Hearing of the Representatives etc



Notification of Minimum wages



## Advisory Board [Sec.7]

- Appointed by appropriate government
- To co-ordinate the work of committees and sub committees appointed under Section 5

## CENTRAL ADVISORY BOARD [SEC.8]

---

- To advise the **Central and State Governments** in fixation and revision of minimum rates of wages
- To co-ordinate the work of the Advisory Boards



# Composition of Committee.

## [Sec. 9]

- Each of the committee, sub-committee and the Advisory Board shall consist of:
  - a. persons to be **nominated** by the **appropriate Government**
  - b. representing the **employers and employees** in the scheduled employments who shall be **equal in number** and
  - c. **independent persons** not exceeding **one-third** of its total number of members: one of such independent persons shall be appointed the **Chairman** by the appropriate Government.

# Correction of Errors [Sec. 10]

- By appropriate Government at any time
- By **notification** in the Official Gazette
- Correct **clerical or arithmetical mistakes** or **errors** arising from and **accidental slip or omission**.
- Every such notification shall be placed before the Advisory Board for information.





# Wages in Kind [Sec. 11]

- Minimum wages shall be **paid in cash**.
- The appropriate govt. may authorize, where there has been a **custom** of payment in this manner, payment of minimum wages either **wholly or partly** in kind
- The appropriate govt. may authorize supply of **essential commodities** at **concessional rates**

# Payment of minimum rate of wages [Sec. 12]

- The Minimum Wages has to be paid **without any deductions** other than Statutory Deductions.
- Payment of **wages less than minimum wages** on the ground of less performance or output is **illegal**

# Normal working hours

## [Sec. 13]

For an Adult Worker working in Factories:

- Number of Working Hours should not exceed **48 Hours** in a week with a **weekly Holiday**
- The Daily Hours should not exceed more than **9 Hours** with **1 Hour Rest Interval**
- Provision of Compensatory Holiday/ Overtime Wages if working on holiday

# Overtime wages [Sec. 14]

- If the person has worked for more than 48 hours in a week then, the excess hours worked will be treated as Overtime
- Overtime wage rate will be twice of the normal wage rate

# Wages for a person who has worked less than normal working hours [Sec. 15]

- Employer could not provide the activities of the job then, the employee is entitled to receive full salary
- Employee has not worked due to his unwillingness then, the employee is not entitled to receive full salary

# Records to be maintained [sec. 18]

- The Registers should contain the following particulars-
  - (i) particulars of employed persons
  - (ii) the work performed by them
  - (iii) the wages paid to them
  - (iv) the receipts given by them

# Claims [Sec. 20]

- A **Labour Commissioner** or any other appointed authority is authorized to hear claims regarding **non-payment of minimum wages**
- Any aggrieved person may **apply** to the authority for settling his claims **within 6 months**



# Contracting out [Sec. 25]

- Any **contract or agreement**, whether made before or after the commencement of this Act, whereby an employee either relinquishes or **reduces his right to a minimum rate of wages** or any privilege or concession accruing to him under this Act shall be **null and void** so far as it purports to reduce the minimum rate of wages fixed under this Act.