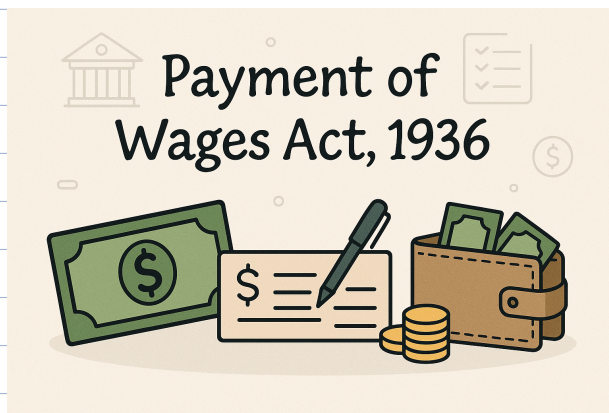


Unit 1. Payment of wages Act 1936



what : Payment of wages Act 1936 is a labour law that ensures employees receive their wages on time and without any illegal deductions.

This act ensures - Timely payment of wages
- full and fair payment
- only legal deductions

Section 3 : Responsibility for payment of wages

Every employer is responsible for the payment of wages to person employed by him.

In case of factory - occupier is responsible.

In case of contract employee - contractor is responsible.

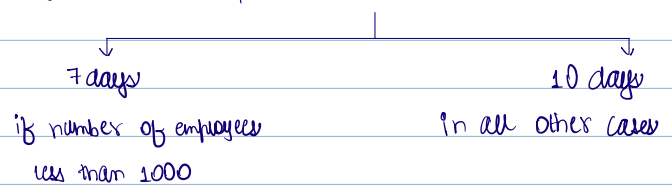
Section 4 - Fixation of Wage Period

The employer must decide and fix a wage period.
A wage period means a time for which wages are calculated and then paid - like weekly, fortnightly (15 days) or monthly.

The wage period can never be more than one month.
(means employer can never ask employee, we will pay you after 2 month or 45 days).

Section 5 : Time payment of wages

wages shall be paid within



- If a workers employment is terminated by employer or termination is due to closure of establishment, wages earned shall be paid within 2 working days.

Section 6 - Wages to be paid in Current coin or currency note or crediting in Bank

Section 7 - Deduction from Wages

following deduction from an employees wages are permitted :

- Fines - Penalty for Misconduct
- Absence from Duty - Deduction for unauthorised leave
- Damage or loss of goods / property entrusted with him
- Housing - The value of any housing accommodation provided by employer.
- Recovery of loan / advance loan payment
- PF Contribution - Deduction on account of provident fund.
- Income Tax - Tax deducted at source as per Income Tax.
- Insurance premium - if employee provided written consent.

Section 8 - Fines

- No fine shall be levied unless act specified as misconduct.
- Notice of such act shall be displayed.
- An employee must be given chance to show cause.
- Total fine can't exceed 3% of wages
- No fine on employee under 15 years of age.
- Fine must be recovered in 90 days in lumpsum (not installment)
- Use the collected fine for betterment of employees.

Section 15 - Claims arising out of unauthorised deduction or delay in payment

- The Appropriate Govt shall appoint an officer to hear claims arising out of:
 - unauthorised deduction, OR
 - delay in wages
- An employee must file a claim within 12 months from date of deduction (allowed after 12 months if sufficient cause are shown)
- The authority (officer) will hear both the employer and employee and may direct (order)
 - ↳ Refund of deducted amount, OR
 - ↳ Payment of delayed wage with compensation.

Authority will also order compensation (penalty) for

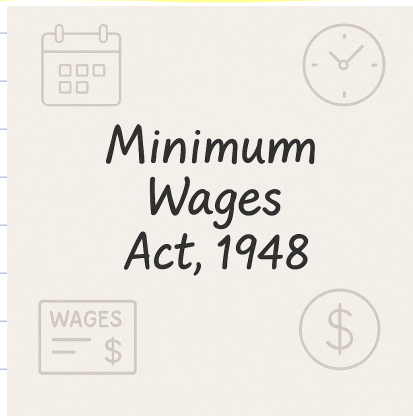
- unauthorised deduction - upto 10 times of deduction
- delayed wages - ₹ 3000 (maximum), ₹ 1500 (minimum)
additional ₹ 2000

- The claim shall be disposed off within 3 months

• Malicious Or Vexatious Claim

If officer finds claim to be malicious (fake), it may impose penalty upto ₹ 375 on applicant and call back any compensation awarded.

Unit 2 - Minimum Wages Act 1948



What - The Minimum Wages Act 1948 is a law that ensures that every worker in India gets atleast a minimum amount of wages for work they do.

The minimum wage is fixed by Central Govt or State Govt for "Scheduled Employment".

Section 4 - Minimum Rate of Wages

When Govt fixes or revises minimum wages, it can choose any one of these three forms:

- (i) Basic + Cost of Living Allowance (COLA) (मूल वेतन)
- (ii) Basic (with or without COLA) + Cash Value of Concessions
- (iii) An inclusive Rate Basic + COLA + Cash Concession

* Cash Value of Concession like cheaper food grain given at concessional rates.

Section 5 - Procedure for Fixing and Revising Minimum Wages

In fixing minimum rate of wages for the first time or revising it, appropriate Govt can use follow either of the two methods:

(1) First Method Committee Method

- The Govt may appoint committee or subcommittee to hold enquiries and advise it in respect of such fixation or revision.
- The Govt shall by notification in official gazettee fix or revise minimum rate of wages.
- The wage rate shall be applicable from date mentioned in notification. If no date is specified, it shall come into force on expiry of three (3) months from date of notification.
- Committee appointed under this act is only an advisory body and Govt is not bound to accept its recommendation.

(2) Second Method - Notification Method

- When Govt by notification in official gazettee publish its proposal for information of persons likely to be affected, and



specify a date not less than 2 months, on which proposal will be taken into consideration.

- The representation received will be considered by Govt and advisory Board, and thereafter fix or revise minimum rate of wages by notification.
- The wage rate shall be applicable from date mentioned in notification. If no date is specified, it shall come into force on expiry of three (3) months from date of notification.
- Minimum wage rate can be revised with retrospective effect.

Section 11 - Minimum Wage - Cash or Kind

Minimum wages shall be paid in cash.

If it is customary to pay partly or wholly in kind, prior approval from govt shall be required.

Section 13 - fixing hours for Normal Working Day

Appropriate govt. may

- fix number of work hours which shall constitute normal working day
- provide a day of rest in every seven (7) days
- provide overtime rate for working on rest day.

Minimum wages are generally based on 48 hour work week.
(6 days × 8 hours)

Section 14 - Payment of Overtime

If an employee works beyond normal working day, the extra time must be paid at overtime rate.

Overtime rate is higher of

- Rate fixed under this act, OR
- Any other law

Section 15 - Wages for working less than Normal Day

If an employee's wage is fixed by the day and they work for less than normal hours, they are still entitled for full day of wages.

Exceptions,

- employee's absence is due to their own unwillingness to work, they may not get full wages.
- other conditions as prescribed like Natural calamity, etc.

Section 17: Minimum Time Rate wage for Piece work

When an employee is engaged in piece work (payment based on output), but govt has fixed minimum time rate instead of piece rate

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Wages shall be paid based on minimum time rate

This ensures workers are paid minimum amount when their output is low.

Section 22. offence and Penalty

If employer pays less wages than minimum wages

Imprisonment — upto 6 months, OR

fine — upto ₹ 500, OR

Both

Unit 3 - Payment of Bonus Act, 1965



What: A labour law that requires certain employers to pay bonus to their employee every year.

Objective is to maintain peace and harmony between labour and employers.

Applicability: Applies to every factory and establishment having 20 or more person employed.

Non-Applicability: Act shall not apply to employees of following institutions:

- (i) Insurance employee employed by LIC of India
- (ii) Seamen defined under Merchant Shipping Act 1958
- (iii) Dock workers defined under Dock Worker Act 1948
- (iv) Employees working in Central or State govt authority
- (v) Employees of Non profit and Educational institutes
- (vi) Employees of RBI, IFCI, DICGC, UTI, SIDBI, NHB
- (vii) Employees of inland water transport

Calculation of Bonus Payable

Gross profit	XXXX
(-) Deduction	(XXX)
(+) Difference of tax	XXX
Direct tax On G.P before Bonus	XXXX
(-) D.T. On G.P after Bonus	(XXXX)

Available Surplus

XXXXXX

67% Allocable Surplus
if Company

33% Allocable Surplus
if other than Company
like Partnership, HUF etc.

Allocable Surplus is the amount available to be paid as Bonus to employee.

Eligibility for Bonus

- Employees who are earning upto ₹ 21000 a month if they worked for atleast 30 days in year.

Disqualification for Bonus

- An employee not eligible if dismissed for
 - fraud
 - riotous or violent behaviour
 - Theft, misappropriation of property
- Bonus Commission noted that Bonus should be shared only by those who contribute to stability and well being of industry.

Minimum Bonus

Every employee shall be paid minimum bonus.

Minimum Bonus is higher of

- 8.33% of his annual salary or
- ₹100 (₹60 if age under 15)

Even if employer has no allocable surplus, minimum bonus shall be paid.

Maximum Bonus

If allocable surplus exceeds the Minimum Bonus, bonus paid to each employee can't exceed 20% of their salary/wages.

Bonus calculation for High Earnings

If employee earns more than ₹7000 per month or more than minimum wage

↓

then for bonus calculation, we do not use actual salary.

Instead we use,

₹7000 or minimum wage, whichever higher.

Employee earning ₹18,000/month

- Actual salary: ₹18,000
- Minimum wage: ₹6,500

Compare:

- ₹7,000
- ₹6,500

👉 Higher amount = ₹7,000

So bonus must be calculated on ₹7,000, not ₹18,000.

If bonus rate = 8.33%:

Bonus = 8.33% of ₹7,000

Bonus = ₹583.10

Set On and Set off of Allocable Surplus

Set On: When Allocable surplus is more than amount required to pay maximum 20% bonus.

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This excess is carried forward for future years.

This is called set on.

Set off: When in some years, allocable surplus is insufficient to pay minimum 8.33% bonus.

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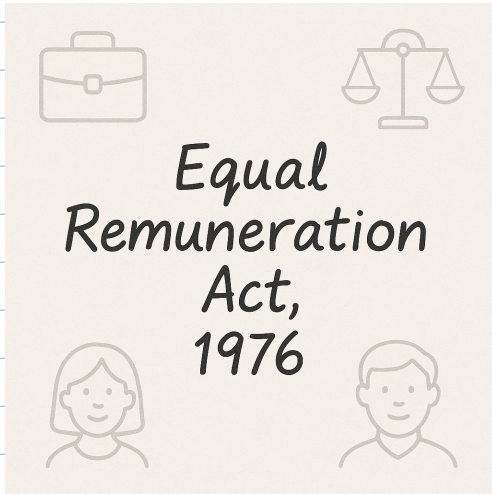
The deficit (shortfall) can be adjusted by using set on amount of previous years.

Set On and set off amounts can be carried forward upto 4 accounting years.

Time limit for payment of Bonus

Bonus must be paid within 8 months from close of accounting year.

Unit 4- Equal Remuneration Act, 1976



Main Objective is to ensure men and women workers receive equal remuneration for same work or work of similar nature.

It also prohibit discrimination against women during recruitment, promotion, training or transfer.

This act has overriding effect over all laws.

As per section 4, no employer shall pay lower wages to any worker based on gender if work is of similar nature, responsibility.

Employer violating provision of this act, punishable with

- imprisonment, OR
- fine, OR
- Both