



Payment of Wages Act 1936: Objectives, Features, Applicability, Benefits

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INTRODUCTION

The **Payment of Wages Act 1936** ('Act') regulates the wages paid to workers and the deductions that can be made from them. The Act has undergone various changes to ensure the effective implementation of the law and provide workers with on-time payment to maintain a decent standard of living.

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Objectives and Scope of Payment of Wages Act 1936

The Payment of Wages Act 1936 is an Act responsible for regulating the payment of wages to a specified category of employed individuals. The objectives of the Payment of Wages Act 1936 are as follows:

- To ensure timely and proper payment of wages to employed individuals and protect them from unauthorized deductions.
- To ensure employers abide by the rules and comply with the Act's requirements by providing for penalties in case of non-compliance.
- To foster industrial harmony and peace by providing a fair and transparent wage payment process.
- To create a balanced and sustained approach, prioritising workers' financial well-being while promoting an effective industrial environment.

Features of Payment of Wages Act 1936

The Payment of Wages Act 1936 mainly provides for the **timely payment of wages to employees without further deductions** by establishing rules related to the distribution of wages.

Here are the notable features of the Payment of Wages Act 1936:

Applicability

The Payment of Wages Act 1936 ensures the fair distribution of wages to employees earning wages below Rs.24,000 per month and protects their rights.

Period of Payment of Wages

It is mandatory to pay out wages for a month on the seventh or tenth day of the following month. However, considering the type of work, employees can receive wages weekly and daily. Thus, employees receive accurate wages every month without delay or unauthorized deductions.

Mode of Payment

Payment should be made in currency notes, coins, or cheques. With further permission from employees, wages can be transferred directly to their bank account, thus ensuring safety and security.

Authorised Deductions

The Payment of Wages Act defines the authorised deductions that can be made by an employer while paying the wages to an employee. This ensures employers do not make unauthorized deductions from workers' wages.

Applicability of Payment of Wages Act 1936

The Payment of Wages Act of 1936 applies to the entire India. The **Act applies to the wages paid to individuals employed only in the following establishments:**

- In a factory
- In railways or railway administration employed directly or through a sub-contractor by signing a contract with the railway administration
- In any industry
- In tramway service, motor transport service carrying goods or passenger or both by road for reward or hire
- In air transport service except service belonging to or exclusively employed in the naval, military or air forces of the Union or the Civil Aviation Department
- In the dock, wharf or jetty
- In an inland vessel, mechanically propelled
- In a mine, oilfield or quarry
- In plantations

- In workshops or other establishments in which articles are manufactured, produced, or adapted for sale, use or transport
- In establishments where the work is related to the construction, development or maintenance of buildings, bridges, roads or canals or relating to the operations connected with irrigation, navigation, electricity distribution, or any other form of power is being carried on
- Any other establishments or class of establishments which an appropriate Government may specify by notification in the Official Gazette
- This Act applies to a **worker receiving wages below Rs.24,000 each month** or any such higher amount, which the Central Government may notify every five years based on the figures of the Consumer Expenditure Survey published by the National Sample Survey Organization.

Time of Payment of Wages

The Payment of Wages Act 1936 has made it **mandatory to pay wages** to employees **within a specified period**. Employers **must fix the wage period** for which the wages are paid, which **cannot exceed one month**. Timely payment provides financial stability and security to employees without unnecessary adjustments in payment procedures.

- The **time of wage payment as prescribed under the Payment of Wages Act** are as follows:
- If there are **less than 1000 employees** in the establishments applicable under the Act, the employer must **pay the wages before the seventh day** after the **last day of the wage period** fixed by the employer.
- If there are **1000 employees or more** working in any establishment covered under the Act, the employer must **pay wages before the tenth day** after the **last day of the wage period** fixed by the employer.
- For **employees working on a wharf, jetty, docks, or mine**, the **balance of wages on completion of the final tonnage account of the ships or wagons** unloaded or loaded will be paid **within seven days** from the completion day.
- If an **employer terminates an employee**, the **wages must be paid within two days** of the termination date.
- The employer should pay out wages for all employees only on a working day.

Maximum Amount of Deduction Under Payment of Wages Act 1936

Section 7(3) of the Payment of Wages Act 1936 provides that the **total amount of deduction cannot be more than:**

75% of wages when deductions are made partially or wholly for payments relating to cooperative societies

50% of wages in other cases

Deduction Under the Payment of Wages Act

The employers decide the deduction amount at the time of wage payment to employees. However, the Payment of Wages Act 1936 provides that **an employer can only make the following deductions from the wages** of the employee:

- Imposition of fines as per the provisions of the Act
- Deductions for damage or loss of goods caused due to negligence of the employees
- Deductions for absence from duty
- Deductions for contributing to any insurance scheme as structured by the Central Government to benefit its employees
- Deductions for amenities and services provided by the employer as per the authorisation of the appropriate government or any officer

- Deductions for house accommodation provided by the employer or any housing authority
- Deductions made upon payment of premium on life insurance policy to the insurance corporation
- Deductions for recovery of advances, including advances for travelling or conveyance allowance and the interest due or for the adjustment of wage overpayments
- Deductions associated with loan recovery made from welfare labour fund
- Deductions applicable for recovery of loans granted for the construction of houses or meeting other purposes
- Deductions of income tax payable by the employees
- Deductions for payments made to a provident fund
- Deductions for any payments made to an insurance scheme premium maintained by the Life Insurance Corporation or for any amount deposited with the Post Office Savings Bank upon approval from the employee
- Deductions for payment of contribution to a fund constituted by the employer or a trade union for the welfare of the employees upon approval from the employee
- Deductions for loss recovery sustained by any railway administration if any employee fails to collect fares and charges
- Deductions for contributions made to the Prime Minister's Relief Fund upon approval from the employee

The following are not considered as deductions under the Payment of Wages Act:

- Demotion of the worker
- Suspension of the worker
- Pause of increment of worker
- Promotion stoppage of the worker

Fines Under Payment of Wages Act 1936

An employer can **impose fines on workers only with an order** from the **State Government**. Here are points every employer must note before imposing fines on the employees:

- The employer should exhibit a notice on the premises of the employment or at the prescribed place specifying the acts and omissions of the employee for which the fine is imposed.
- The employee must be given an opportunity to provide clarification and underlying reasons for the acts and omissions for which the fine is imposed.
- The total amount of fine should not exceed 3% of the employee's wage for a wage period.
- The fine cannot be imposed on any employed person aged below 15 years.
- Fines should not be recovered in installments or after the expiry of 90 days from the day of imposing fines.
- All fines collected from workers should be utilised for purposes beneficial to the employees of the establishment

Claim and Adjudication Under the Payment of Wages Act 1936

An employee can **raise a claim arising out of deductions** from wages or due to **delayed payment of wages and penalties** against the employer either in person himself/herself or through a legal practitioner or an official of a registered trade union authorised in writing to act on the employee's behalf or any Inspector under this Act.

When any employee makes a claim arising out of deductions from wages or due to delayed payment of wages and penalties, the **government can appoint the following persons as the Authority** to hear and decide the claims:

- Any Commissioner for workmen's compensation
- Any officer of the State Government not below any rank of Assistant Labor Commissioner with experience of at least two years
- Any officer of the Central Government serving roles as Assistant Labor Commissioner with at least two years of experience or Regional Labor Commissioner

- A presiding officer of any Industrial Tribunal or Labor Court or under any law relating to the settlement and investigation of industrial disputes in force in the State
- Any officer who has the experience of a Judge of a Civil Court or a Judicial Magistrate

After hearing the claim, the **Authority may direct** a refund to the employees or the payment of the delayed wages, along with the payment of compensation. However, the compensation cannot exceed ten times the amount deducted in case of wage deduction. In the case of delayed payment of wages, the payment of compensation must be a minimum of Rs.1,500 but cannot exceed Rs.3,000.

Benefits of Payment of Wages Act 1936

the Payment of Wages Act 1936 provides several benefits to workers and employees. The most important benefit is that the **workers receive their wages without delay**. The Act specifies the date within which the wages must be paid to the workers so that they get their wages without any delay. This, therefore, creates financial soundness, security, and well-being among workers.

It **guards against unauthorised wage deductions** imposed by an employer by specifying deductions that can be made from wages, like fines and compensation for damage or loss incurred by employees. It ensures workers are not unfairly saddled with unlawful penalties and receive complete wages.

Another benefit of the Payment of Wages Act is that it provides a **legal process for settling all issues relating to wage payment**. When wages are paid late or unauthorised wage deductions occur, an employee can lodge a complaint against his employer. This also helps employers and employees establish a healthy relationship.

The Payment of Wages Act covers various industries and factories. It covers workers receiving more than Rs.24,000 wages per month, safeguarding a significant segment of workers.

CONCLUSION

The Payment of Wages Act of 1936 represents a crucial legislative measure aimed at advancing and safeguarding labour rights within India. This Act has addressed the challenges encountered by workers as a result of wage delays and unauthorized wage deductions. The primary aim of the Act is to ensure timely remuneration for employees, thereby fostering transparency and accountability.

The Payment of Wages Act 1936 serves as a structured framework, thereby protecting the worker's interests and promoting a safe and healthy work relationship between employer and employee.