

Course Name: Labour Welfare and Industrial Relations

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Lecture: 42

Lec 42: Payment of Wages Act, 1936: Objective, Scope

Hello, learners. Welcome back to the course on labor welfare and industrial relations. We start with the new module today. where we categorically look into the Payment of Wages Act. So we have seen across the different modules, different laws and acts with respect to the labor welfare and specifically the welfare part, the industrial relations part.

Today, we are dealing specifically with the Payment of Wages Act. Let's start with the objectives and scope.

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So when you look into the Payment of Wages Act 1936 specifically, the actual essence of the act was to protect the right of employees.

Please do understand that, you know, recollect all those discussions we had with respect to what happened during the entire timeline pre-independence, how the laborers are the workers of the day that actually exploited. So that was a background why, you know, the payment of wages act had certain relevance attached to that particular time period. When you look into payment of wages act specifically, employers can ensure fair and timely wage payments. That was what was considered as the key objective or key outcome that the act should bring in and finally employees can be aware of their entitlements so whether it is a right whether it is an entitlement every single individual came to the

workplace to get a particular wage and if that is denied to him or her then definitely there will be some level of cognitive dissonance there will be some level of you know discomfort or discomfort that that the person will be having and this particular situation will actually warrant conflict situations or conflict like patterns of behaviors which actually leads to strikes etc which we have seen in detail now let's understand this from the basics Let's let us go through the act systematically. We'll start with the definition. When you look into the definition part of the act, particularly what or what do you mean by or who is an employed person?

This is of some interest to us because when you're looking into an employed person, it includes the legal representative of a deceased employee. Or the particular person. So if you look into the payment of wages act specifically, it has played a crucial role in protecting the right of employees. There is no doubt about it. the entire act which was passed to regulate the payment of wages to certain classes of person actually employed in the history so it is an act which ensures payment of wages in a particular form at regular intervals without any unauthorized deductions so all these aspects actually added to the relevance of it in that background we should understand employed person

Employer, according to Section 2, includes a legal representative of a deceased employer. So this is the extent the Act goes in defining the particular entities or particular elements within their ambit or within the Act's ambit. So industrial or other establishment, what do you mean by that? According to Section 2, It means tramway service or motor transport service engaged in carrying passengers or goods or both by road or hire or reward.

It has reference to dock, wharf or jetty, inland vessel mechanically propelled. You know, mine is there, quarries are there, oil fields are there. So are plantations, workshop or other establishment. And what do you mean by wages? Wages means all the remuneration whether by way of salary, it could be by way of allowances or any other case for that matter.

So please understand that when you are looking into the particular aspect of wage specifically, it is having a positive connotation especially with respect to what we understand as the salary, understand as allowances or otherwise. So when you look into

remuneration, it should be expressed in terms of money or capable of being expressed in such a way that there is some monetary compensation associated to that. Let's take a moment and understand this wage part clearly because the entire act is revolving around wages. So the understanding of the wage part is vital. When you look into wage, it could be any remuneration payable under any award or settlement between the parties or maybe if it goes to a court by the order of a court.

Any remuneration in which the person employed is entitled in respect of overtime, work or holidays or any leave period. It could be any additional remuneration also payable under the terms of the employment. It could be any sum which by reason of the termination of employment of the person employed is payable under any law or the contract or any other instrument which provides for the payment of such sum, whether with or without deductions. It would also include any sum to which the person employed is entitled under any scheme framed under any law for the time being in force. That should be the clear understanding you should have with respect to wages.

But when you actually look into wages per se, wages do not include 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 the court order itself. It will not include the value of any house accommodation or maybe the supply of essentials like light, water, medical attendance or any other amenity for that matter. It will not include any contribution paid by the employer to any pension or the provident fund. Please understand that categorically. It will not include any traveling allowance or the value of any traveling concession.

It will not include any sum paid to the employed person to defray, let's say, special expenses entailed on him by nature of his employment. And it is also not inclusive of any gratuity payable on termination of employment in case other than those specified in the subclass of the Act. So basically, this is what happens. You know, you understand by wage. Now, when you want to understand the Wages Act, you have to understand it from two different angles, especially over the different modules.

We have essentially understood the colonial rule and the industrialization. What was happening in Europe? We had certain repercussions of that happening within our country or within our economy in general. But there was a delay, which also we have explained what was the reason why the delay happened and how essentially the acts become delayed because of that. There was some exploitation that happened in the initial period.

So all these led to the rise of trade unionism also. So when you have to understand the wages. The significance of the wages, the importance of the wages and specifically the essence of the Wages Act 1936, we have to go through the history or the historical perspective of the Wages Act 1936. And this we'll understand by two different dimensions. One is the colonial rule and another is the rise of trade unionism specifically.

When we actually look into the colonial rule, let's say the period of early 1700s, It's all the invention of, you know, you know, very, very critical inventions like steam engine or the Industrial Revolution picked up. So India was an officially a colony of British crown. We know that from the period of, let's say, if we want to actually make it a certain interval period, then 1858 to the August 1947 period. And the Industrial Revolution in Britain had a reverse impact on the Indian economy as I've already mentioned.

So due to the expansion of the industrial base in Britain, it required supply of inputs or raw materials and captive market specifically for its products and colonies provided Britain with just a source, the raw materials as well as an outlet and easy transportation through all the shipment, you know, if you look into the early routes through the ships. Even railways was a result of this revolution. So when you look into the entire influence of Britain, Britain forced India to accept the British goods which destroyed the Indian, specifically cottage industry, if you know the history handicraft industry since India was forced to produce the cash crops which Britain required for trade with other countries. So among all the other factors for destruction of the particular Indian industrial sector were the disappearance of the princely courts and their patronage, increasing the competition of the British machine-made goods and increasing demand for western commodities because of this particular foreign influence.

So what has happened is that Slowly, if you see during the period, India underwent a commercial transformation. Please note, I will actually take this word as commercial transformation and it was not an industrial revolution. I repeat, we went through a commercial transformation. It was more on basis of a commercial transformation than an industrial revolution.

So British were not eager to lay the foundation for an industrial revolution. First, most of the modern industries that developed were controlled by foreign capitalists. Please understand that. Second, the industrial progress during this phase was very steady and continuous but it was extremely slow so this was as the policy of Britain was never to work for the benefit or let's say welfare or development of the colonies but to actually suppress them oppress them exploit them for their personal gain and the personal prosperity etc so when you look into the growth of modern industry

we have to understand the emergence of zamindari or righthwari systems because of which agriculture sector was destroyed and even The farmers, they had a lack of choice for which crop to be grown. So destruction of cottage industry was prevalent, as I've already mentioned. Illiteracy was prevalent. Poverty was prevalent, leading to starvation, poor living conditions, and even to a certain extent, if I want to generalize it, rural backwardness of the Indian household.

So this is what the background was when you have to consider the worker in picture. There was actually no social support. There was no provident fund scheme. Maybe only an inadequate maternity benefit scheme came into operation in the 1930s, which we have already seen in the previous modules. So the real wages of factory workers, specifically if you look into the period of, let's say, 1888 to 1929, if you categorically look into this particular period, the real wages of factory workers actually declined and the average worker lived below the subsistence margin. So, underfed housed like animals, you know, without air, light, water, the Indian industrial workers were one of the most exploited of all in the world of industrial capitalism. So, when you look into the exploitation, the exploitative imperialistic colonial rule, This had taken a toil without any explanation. So the Indian industrial capitalist class developed after 1858.

So it soon entered competition with the British capitalists and gradually realized that it's a growth that was checked by this official trade. Then there came a tariff restrictions, the transport restrictions and even the financial policies of government, which was lopsided. So, when you look into the contemporary industries of, let's say, France, Germany, Japan, they were being developed with active and massive government help. So, such help was actually denied to the Indian capitalists. We were having the entrepreneurial spirit.

Let's make no mistake in acknowledging the fact, but We did not have a massive government help as in case of our counterparts in France, Germany, Japan, etc. So the higher bureaucracy was also another impact of foreign and, you know, the hostile Indian industrial efforts. So Indian capitalists feared about all domination and suppression by the far stronger foreign capital. So their instinct was survival aroused after 1918 when a large scale inflow of foreign capital investment occurred happened with the Indian industry. It began to enter the giant British industrial corporation. It started forming subsidiaries in India to take advantage of the tariff protection that was there in place, especially during 1920s and 30s. The cheaper Indian labor and nearness of the market, Indian capitalists now raise the slogan of Indian domination of Indian markets. So what we understand during the 20s and 30s, especially the non-corporation movement in 2022,

or let's say the Swadeshi movement 1905 to almost 1911, the Indian capitalists under the leadership of the leaders, Congress leaders those time, tried to rejuvenate the Indian cottage industry and venture to establish certain industries on the tune of spirit and inspiration of this particular movement. So when you see the drain of wealth during the last 200 years of British Raj, it ruined India without any doubt and the development was never ever considered seriously as a policy by the imperialist government. So we see that the colonial rule essentially had a very, negative impact when you actually look into the wage part of the particular worker in the Indian scenario. When you look into the second most important aspect, it would be the rise of trade unionism.

When Indian trade union, you know, if we look into the Indian trade union specifically, like their counterparts elsewhere, It emerged as a byproduct of the modern industrial enterprises. We know that. But arbitrary and high handed treatment of workers by employers specifically, as well as most of them resorted to exploitative working

conditions, exploitative working practices that created among workers a shared sense of helplessness. and total dissatisfaction with employees.

So if you look into 1880s, 90s, there were sporadic attempts that were made by employees to express their particular discontent towards their employer and government through mass protests, strikes, etc. But if you see genuine trade unionism in India, we have seen it began when the Madras Labour Union was formed in 1918. So this is already covered. But what I wanted to ensure here is, If we look into the entire history of the trade unionism, let's say from the time of N.M. Lokhande to the mill owners of Bombay, you know, Dina Bandhu coming into picture or maybe we have seen this. That's why I'm just rushing through them. In Chennai, Bombay and Calcutta, the postal workers formed union as postal clubs. So the climax in the labor movement in this period specifically was reached with the six days political mass strike in Bombay. And this happened in 1908 against the sentence of six years imprisonment inflicted on the great leader of freedom movement, Lokmanya Balgangada Tilak, charging him for the offence of sedition.

So you see 1908, this incident. Then 1910, the Kamgarh Hidvardhak Sabha was formed by philanthropists in Bombay. The non-cooperation movement launched by Gandhiji during 1919-1920-21, establishment of the International Labour Organization, which was a watershed moment in 1919, of which India is a founder member. And even we had been influenced by the Russian Revolution to establish a socialist state. in 1917 contributed significantly to transform the consciousness of this working class.

If you look further in 1921, the International Labour Conference adopted a convention on the freedom of association, which actually emphasized that the workers should be given the fullest freedom to come together and form trade unions. The rise of trade union also was critical. It was categorical in establishing certain relevance or importance to wages. Not only that, as evident from the traditions of the trade unions and the social movements in India. The colonial rule had a lot of exploitation.

It had a lot of deductions. But something that was that has to be considered seriously here was that no deductions were to be made. No, you know, timely payments had to be made. This was the tune or this was the demand of the working class when it comes to the

wages act or the understanding of the wages. And that was essentially a contribution of the trade unions of that particular day.

So these, if you see, we can go on talking or deliberating on this, but this essentially, the two important aspects, the colonial rule and industrialization and second one, the rise of trade unionism, this is what we will get if we dig deeper into the historical perspective of this wages, the concept of wage and Wages Act 1936 specifically. Now, when you look into the Act, we will go through the objectives of the Payment of Wages Act. See, the Payment of Wages Act 1936 actually aimed to establish a framework which for timely and fair wage payments would be there to the employees. The objectives certainly included ensuring a regular wage payment, preventing unauthorized deductions, If you look into these critical aspect, these were some of the essentialities of the particular act.

So by adhering to the act, employers can maintain employee satisfaction. They will have a harmonious working environment altogether. And moreover, employees can be confident in receiving their due wages. So if we have to categorically take some excerpts from this act, the main objective of the act was to ensure regular and prompt payment of wages and to prevent unauthorized deductions and arbitrary fines from the wages. So it also regulates the rate of payment for overtime work.

The act is applicable to persons employed in factory, industrial establishment. We have seen that. The Payment of Wages Act specifically regulates the payment of wages to certain classes of persons employed in industry and certainly its importance cannot be underestimated. So when you look into the Act, we have to also understand that Act provides for the responsibility of the payment of wages, fixation of wage period, time and mode of payment of wages even permissible deduction i use the word permissible deduction as also cast upon the employer a duty to seek the approval of the government for the acts and permission for which fines may be imposed by him when you look into the act closely the act also provides that a worker cannot contract out of any right conferred on him under the act. So the act does not apply to person specifically, you know, it is consistent and it is related to timely wage payment. The act aims to establish a system that ensures consistent, timely wage payment. As we have seen, there is a critical

aspect of regulation of wage payment. So if we jot down the entire crux of the discussion, it will be consistent, timely payment.

It would be a regulation of wage payment procedures. It would be prohibition of unauthorized deductions. It would be prevention of wage abuse. That was also critical because the act categorically aimed to prevent wage abuse. Exploitation of, you know, the workers by providing legal safeguards.

It established the penalties, the safeguard mechanisms, enforcement mechanisms to deter employers from engaging in unfair practices or withholding wages unlawfully. And finally, you'll also see that one of the key objectives was dispute resolution. The Act provided provisions for wage-related disputes resolution between the employers and workers. It established labor courts, tribunals, authorities to adjudicate if disputes emerge. So it provided a certain mechanism for workers to seek redress in case of non-payment or underpayment of wages.

So you will see that there are different aspects that are covered here. with respect to the objectives more than you know the possibility of the wage payment wage payment was definitely one of the key reason why the act certainly came in but more than that if you see there was a possibility of calculated or intentional wage reduction and one of the primary objective of this act certainly was to attack on that calculated or intended wage reduction now this was extending or you know extrapolated towards an exploitation of phenomena they are the act particularly wanted to curtail wanted to put an end to this exploitation specifically so giving the wage was one thing you know unnecessarily deducting from the wage you know telling some or giving some excuses or giving some lame reasons that happen to be a practice this was also one of the key objectives to prevent that. That was one of the key objectives of the particular Wage Act.

So when you look into these objectives, we have to understand these things specifically. Now let's look into the scope of the payment of wages of Act. We'll see that there are different aspects. You look into the understanding the rights and obligations of employer. You'll see another scope being ensuring timely and accurate wage payments.

This we have already mentioned. When you're looking into You know, the Payment of Wages Act 1936, it contains several key provisions that outline the framework for ensuring fair and timely wages or the payment of wages. So these provisions actually include regulations for wage deductions. They have regulations for overtime payment, for calculation of bonus, penalties for fines, etc.,

So if we look into the first critical scope, understanding the rights and obligations of employer. Employers have certain rights, no doubt about it. They have certain rights and they do have certain obligations under the Payment of Wages Act, which generally is not appreciated. These include the duty, specifically the duty to pay wages on time in the manner specified, ensuring accurate wage records that are to be maintained, complying with the provisions related to all the deductions, be it over time deductions, bonus calculation, etc. Should also be aware of the penalties for non-compliance.

What are the employees' rights to file complaints? How they can execute it? Seek resolution for any wage-related violations. So this would be the first scope of the Payment of Wages Act. When you look into the second important aspect, it is ensuring timely and accurate wage payments.

We had a lengthy discussion on that now. But when you want to actually look into the gist of the things, to ensure compliance with the Payment of Wages Act 1936 specifically, employers must prioritize timely and accurate wage payments. So this would actually include following the specified, let's say, payment schedule, maintaining accurate records about the payment, adhering to the provisions regarding deductions, regarding overtime, the bonus calculations, etc., which we have seen. So by doing all these activities, employers can certainly avoid penalties and create a fair and transparent work environment that actually promotes employee satisfaction and trust without doubt. The third important or critical scope would be element would be dealing with deductions and penalties under the act.

As I've already mentioned, but when we have a closer look, we understand that any deductions made from an employee's wages must be lawful and it should fall within the scope allowed by the act. So failure to comply can result in penalties and certain legal

consequences. So it's always vital. To understand the specific guidelines and seek proper legal advice when dealing with deductions to ensure the proper compliance and to avoid potential disputes. When you look into another scope maintaining proper records and documentation is critical.

To comply with the act, employers must maintain, you know, accurate documentation, documentation about the employee wages, about the deductions, if any, about the penalties, if any. So this will include, you know, keep tracking of hours worked. It would include the rates of pay specifically and any documents related to deductions made. So proper record keeping ensures that. It ensures that they can categorically prevent disputes.

It will protect both employees and employers in case of legal inquiries or any audits. And finally, if you look into the scope, resolving disputes and handling noncompliance would be a significant element within the ambit of the scope of the Payment of Wages Act. When you look into the Act, proper communication and understanding of legal obligations can help in solving disputes amicably. So, employers should be aware of the consequences of non-compliance, which may include penalties, legal actions, and to a certain extent, prevent the damage to their reputation. So, this is what we understand by the Scope of Payment of Wages Act.

When you look into the amendments in current era, as I mentioned, our attempt is always to bring in possibly the most relevant, most updated information to you. You see that this is a particular subject which keeps on evolving. Maybe today it has evolved, maybe yesterday it has evolved, maybe tomorrow a new version or a new amendment would come. So this is a pretty dynamic subject because the worker relations are dynamic, the employer relations are dynamic, the requirements, the demands of the job are dynamic. The way people see, the perception of people, be it employer, be it employee, be it the other external agencies, be it trade union, employer corporations, the government of the day, everyone will have a different perception based on that difference or individual differences within their outlook they will try to bring in new amendments. So let's look into what this act is all about in the present day scenario. Let's look into the amendments in the current era. When you look into this particular act, employers are no longer needed

to obtain any written consent for the wage payment and can be made by cheque or through a bank account. That is one of the critical aspects.

And as we move to a digital India, More and more of a digital practices are followed, even from right from, you know, going to a grocery shop to, you know, all your transactions are effectively getting digital or some other way. Most of the population of the country is going towards a digital field. So digital transfers are also becoming significantly relevant under these acts. So let's look into these amendments from that point specifically with respect to the digital translation, digital conversion of the entire wage management system.

Now, when you look into the entire lecture as an introduction to the particular act, You have certain key takeaways. The key takeaways would be to have an effective understanding of your employee. What are the needs? What are the requirements?

What is actually included in wages? What is not included in wages? Do not mix these two terminologies or two concepts and actually try to exploit the worker. So let's understand this key takeaways in greater detail. The first one is to communicate effectively.

When you look into this as a as a key takeaway from the from the entire lecture, this communication part is very vital. Every single employer or organization should understand the needs of the particular employee and that is where the communication part becomes necessary. So what are the demands? The demand of the job, the job description, how it is being translated or this job would require this much effort should be actually compensated with this much amount. So this is how the communication should go in.

There can be disputes, there can be conflicts as I've already mentioned in couple of lectures before. you know, cooperation was supposedly the norm. Cooperation should have been the norm, but unfortunately it is a practice. Whenever human involvement is there, whenever we are dealing with human element, whenever we are dealing with ourselves, be it your relative, be it our friends, there is always a potential threat of

conflict. And you look into entities like employer and employee, definitely you cannot rule out.

So this is where resolution or to avoid disputes amicably or to settle disputes amicably, mitigate these disputes amicably, this becomes critical. When you look into the act per se. comply with legal obligations. And this is an advice to the employers. You know, don't find yourself in the wrong side of the law.

Please try to understand that if you comply with the law, more and more benefit you can yield from the law. So if this is to be taken further, we will see that the employee is also happy. Employees happy that yes, whatever is said within the ambit of law, we are happy to receive that. That will essentially give the employee a boost of morale. It will certainly give the employer reassurance that yes, I'm doing something.

My organization, my plan, whatever function company it is, it is running as per the law of the land. And finally, be aware of the penalties and legal actions for noncompliance. So that is a pretty much significant possibility. Intentionally, you cannot go wrong because the laws and the legislations are very clear on this. But there are possible scenarios where unintentionally or due to oversight, the employers may forget certain clauses or certain nitty gritty of the act.

So be careful with those particular significant nitty gritty and nuances of the act, which will essentially bring a better harmonious environment for Within the workplace. So these are the different key takeaways I wanted to mention specifically with respect to the payment of wages act. I've tried to introduce this act. I've given the different dimensions.

I've looked into the historical perspective in the in the beginning, how it has evolved over the period in time. I've looked into what is the significance of the Payment of Wages Act. I've also tried to underscore the relevance of the Payment of Wages Act in the present day, how it has transformed, what are the significant amendments. I think those would be the important key takeaways from this lecture. Thank you for listening to me patiently.

We'll see with greater details in the next class. Till then, take care. Bye-bye. Amen.