

Course Name: Labour Welfare and Industrial Relations

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Week – 10

Lecture – 04

Hello learners, welcome back to the course on labour welfare and industrial relations. We move to the next lecture of this particular module 10. We are looking into the Payment of Wages Act. We started off in the previous lecture. If you have gone through that, you will understand that we started off with the procedures for actually fixing minimum wages.

We'll look deeper into that in this particular lecture. We'll also look into the mode of payment specifically and we'll also deal with certain important miscellaneous provisions. I'm Dr. Ibrahim Sir Lysak. I'm an assistant professor at the School of Business, Indian Institute of Technology, Guwahati. Now, when you look into the procedures for fixing minimum wages, we have to understand the fixation of minimum wages step by step.

Let's understand this with greater detail. When you look into the central and state governments, they have the power to fix the minimum wages because they happen to be the authority. When you look into Section 3 of this particular act, to be precise, it empowers the appropriate government. That's a word that is used to fix the minimum rates of wages in the scheduled employment. Now, when you come to fixing minimum wages, the act empowers this appropriate government.

It could be the central government or the state, as I've already mentioned. To fix minimum wages for various scheduled employments. Now, scheduled employment could include sectors such as agriculture. It could include sectors like construction, let's say manufacturing and even more. So the minimum wages are determined based on.

The factors, it could be a factor such as nature of the work, factors such as skill required or even to a certain extent, cost of living, what we have seen. So when you look into these factors, even prevailing rates of wages could also be a factor. Conditions of

employment could be a factor or ability of employers to actually pay and other factors. Critical socioeconomic conditions can also be a factor. So the government periodically revises these wages to reflect changes in economic conditions and cost of living.

So what we understand from this angle is that. The appropriate government, be it the central government and the state government is having the authority to fix the wages. That said, there are different minimum wages that are determined on different factors. When you look into the process for fixing wages. This is something which is more relevant to this lecture.

When you look into the process for fixing minimum wages, you will see that in Section 5 of this Minimum Wages Act 1948, two methods have been provided for fixation or revision of minimum wages. The first one is notification. The appropriate government notifies the The proposal to fix or revise the minimum wages that said there is also provision of advisory board the government of the day at points and advisory board consisting of representatives of employers. employees and independent people to advise the proposed rates and then we have the recommendations the recommendations generally come from the advisory board which considers various factors and critically recommends the minimum wage and finally we have the government decision so the recommending power would be with the advisory board and

But the final decision would be taken inevitably by the government of the day. So the government decision, the appropriate government considers these recommendations and issues of final notification fixing or revising the minimum wage. So this is what we understand as the entire process of fixation of minimum wage. When you look into the committee method and notification method, essentially what we have already introduced to you, the committee method is something where the committees and subcommittees are set up by the appropriate governments to hold. inquiries and make recommendations about the fixation and revision of the minimum wages.

So when you see that the government has appointed an advisory board, as we have seen, consisting of representatives of the employers, employees and independent persons, An overview of the committee method is certain. We see that there is this minimum wages

fixation committee that will look into the pros and cons, will look into different factors, even the socio-economic condition of the country at that point in time. All these factors combinedly actually feed or help or facilitate the committee to go for a decision. When you look into this minimum wages fixation committee clause, CLORA,

for certain scheduled employments that appropriate government may constitute this committee. So the committee is tasked with with conducting inquiries and recommending the minimum wages. And as you have already seen, you know, when you look into the composition of the committee, we have already seen there are certain independent people. Now, who are these independent people?

The minimum wages fixation committee typically consists of representatives of all the stakeholders, employers, employees, independent experts, government officials, everybody. So the committee may actually include with expertise in relevant field. Let us say somebody from labor economics, somebody from industrial relations or specific industries covered by the scheduled employment. So these are certainly the composition of the committee area. These are certainly what is related to the composition of committee.

When you look into the inquiries and data collection, please note the committee conducts detailed inquiries and collects critical relevant data. to inform the process of fixing minimum wages. So this may include studying factors like cost of living, factors like the skill requirements, standard working hours, prevailing wage rates in cases of similar employments that are already there in the industry, and also the capacity of employers to pay. So when you look into the examination of these factors, the committee examines various critical factors. that, you know, influence wage determination.

You know, it considers both the economic and the social aspects, as I've already mentioned. So all these factors that may include living conditions to productivity levels, to social needs, to say variations within region, regional variations and the impact of the proposed wage rates on employers and workers. Everything will be a part of the examination of factors. Now, when you look into the consultative process, the stakeholder consultation, we see that the committee examines various factors that

influence wage determination, considering both economic and social aspects. So these factors may include living conditions.

It may include social needs. It may include productivity levels. It may include, you know, factors like regional variations and even the impact of proposed wage rates on typical workers and employers. Now, when you look into a particular stakeholder consultation, the committee may engage in consultations with stakeholders such as employers association, something like the trade union, something like the work representatives. something like, you know, other independent interested parties.

So all these stakeholders are part of the consultative process. So these consultations provide an opportunity for stakeholders to present their views, their concerns and suggestions regarding the fixation and the revision of minimum wages. Now, with the stakeholder consultation done then comes the recommendations and the report making with the stakeholder consultation there was you know a lot of brainstorming that has happened with the different stakeholders including trade unions and workers representative etc now based on the inquiries based on the data analysis from the consultative process that has been followed from the the typical interactions done with all the stakeholders the committee prepares a report containing all its recommendations for the fixation or revision.

So every time I try to use these two words, it could be either fixation. So it might be the initiation of a particular wage decision making or it could be the revision of minimum wages that could happen. So either way, there's a critical decision that is being made with respect to fixation or revision. So when you are actually looking into the report, it may outline the proposed wage rates, what would be the committee's recommendation, the rationale behind the recommendation, that is also important. Now this is something which is critical.

When you look into most of the government decisions, you do not just propose. Let's say in this case, propose wage rates. You also have to give The proper justification. Or.

the rationale behind the recommendation. So this is vital when it comes to government decisions, especially recommendations and reports. They will have to have a certain

rationale when the committee is proposing certain recommendations with respect to the inquiries and data analysis that are done. So the report may outline the proposed wages, the rationale and any additional provisions or considerations relevant to the scheduled employment. Now the most important aspect, government decision.

Now when you look into government decision, the government reviews the recommendations made by the minimum wages fixation committee and takes a decision on the fixation or revision. Please note again, we are using both the terminologies fixation or revision of this minimum wages. So basically the government considers the committee's report along with other relevant factors. It could be factors like economic conditions, it could be factors like legal requirements,

Many a time it is not legally tenable. The committee may look into it from one single angle or there is a possibility that they might take a very lopsided approach. So all these aspects, the pros and cons, have to be considered before the government of the day makes a decision. So economic conditions have to be looked into. The legal requirements categorically have to be analyzed.

And the most important factor, I would say, the administrative requirements. feasibility this is the most important factor let's say it takes a big toll on the exchequer it takes a big you know chunk of money out of your system so is it you know feasible from an administrative angle that would be the key consideration we are not discounting the economic conditions nor we are discounting the the legal requirements but When you look into the scheme of the things, the administrative feasibility happens to be one of the most significant factors when it comes to the entire Payment of Wages Act or it could be with respect to the fixation or revision of the minimum wages. And finally, we have the notification and implementation. Once the government approves the minimum wages based on the committee's recommendation,

It issues a notification specifying the minimum rates of wages applicable to the scheduled employment. So this notification typically provides the legal basis for employers to comply with the prescribed minimum wages. And it includes details, let's say, such as what is the effective date and any other critical relevant provisions associated with that.

So when you look into the entire committee method, it ensures that. One, a consultative and two, evidence-based approach to the fixation.

I would try to underline this. One is consultative because we have seen there is a stakeholder consultation that is going on. There are a lot of pros and cons. Categorically, they look into the economic conditions. They look into the legal requirements.

They look into the administrative feasibility. So there is evidence based approach also that we can observe to the fixation and revision of the minimum wages. So it incorporates the perspectives of all the stakeholders, in fact, and considering the factors specific to the scheduled employment. So it incorporates. Certainly helps in establishing fair and reasonable minimum wages that actually balance the interests of workers and employers while actually promoting social justice and economic well-being.

So this is what we typically understand as part of the committee method. Now, when we actually look into the second method, which is a notification method, Please understand the appropriate government notifies the proposal to fix or revise the minimum wages. So in this method, what happens is that the government proposals are published in the official gazette for information of the persons likely to be affected. specify a date not less than let's say two months from the date of notification on which the proposals will be taken into considerations so we look into the notification method you know after considering the advice of the committee's or the subcommittees and all the representations received by the specified date in the notification method

The appropriate government of the day shall, by notification in the official gazette, fix or revise, again the same terminologies, fix or revise the minimum wage in respect of the concerned scheduled employment and it shall come into force on expiry of three months from the date of its issue. So when you look into the notification methods, there are certain critical factors right from identification of Scheduled employment, consultation, determination of minimum wages, preparation of notification, etc. We'll look into that in greater detail right now. When you look into the identification of scheduled employments.

You'll see that the act categorizes all the specific employments into schedules based on the nature of the work, based on the nature of industry or the geographic region altogether. So each schedule includes different occupations or industries for which the minimum wages need to be fixed and finalized. So the number and nature of scheduled employment may vary from state to state. When you actually look into the consultation and advisory boards, much similar to the previous discussion, but before fixing the minimum wages, you know, the appropriate government of day may consult with advisory boards or committees established under this act. So that's why there is pretty much similarity with respect to different boards.

These boards consist of representatives, again, from employers, from employees, even independent experts are there, even government officials are there. So their input is, may be considered in determining the minimum wages for the scheduled employment. And finally, if you look into the determination of wages, we see that the appropriate government, it could be the state government, it could be the central government, examines the relevant factors, maybe like something like the cost of living. something like the prevailing wage conditions or wage rates, the standard working hours, the skill requirements, or even to a certain extent, the capacity of employers to pay.

So if you have gone through the second lecture of this module, you will actually see that there has been a certain discussion that we have done based on the capacity of employers. This is one of the most critical aspects. Because this this I would like to reiterate here. When you look into factors like, you know, the possibility of payment, you should also consider whether the capacity of employer to pay the particular amount is also there. You know, you have looked into the economic conditions.

You have looked into the administrative feasibility and that all from the government point of view. But whether the employer is actually able to hold or handle the extra burden that is coming because of the increase in wages because of the notification the authorities can notify but we is the employer in a position to actually maybe at this point in time the employer might not be otherwise performing good. The company might be excelling, but at this point, maybe because of some economic downturn or some other seasonal implications, it could be the employer at this point in time might not be able to. So that is

also relevant. And that is why if you look into the previous lectures, I have tried to introduce you to this concept also.

There is a possibility where we should not less just oversee the employer. The employer is also a most. In fact, after employee employer is also one of the most critical stakeholder. So we cannot do away with that stakeholder. We have to also consider whether the capacity of employer actually allows the entity to actually pay the increased or revised wage or the new wage.

So this is also significant when we consider the notification part. When you look into the preparation of notification, it includes details, you know, details such as the effective date, the period of applicability, the wage components, you know, wage components could be something like basic wages, the DA. All these aspects would come under the wage components and any other relevant provisions for that particular matter. So these are some of the critical aspects. So once the minimum wages are determined,

the government actually prepares an official notification. So the notification specifies, as I mentioned, the wages applicable to each scheduled employment. It will have details of the effective date, then the period of applicability and the wage components, as I already mentioned. So these are some of the critical aspects when you look into the notification method. When you are looking into the legal effect, the publication and legal effect, please note the notification containing the minimum wage is published in the official gazette or other appropriate publications as required by law.

So once published, the notification carries the force of law and employers in the scheduled employments are legally obliged to to pay their workers at least the prescribed minimum wages. So this is one of the most important aspects, publication and legal effect. Now that said, we have to also look into the compliance and enforcement. We had a similar discussion in the previous lecture.

I tried to bring in a different dimension here. The government actually designates the labor inspectors or enforcement officers. We have not looked into that in the previous lecture. But there is a possibility of labor inspectors or enforcement officers who are responsible for ensuring this compliance with the minimum wages specified in the

notification. So in the previous lecture, we had looked into more of the awareness part, more of the voluntary involvement.

But here the government actually brings out the possibility of designating employees. labor inspectors or enforcement officers who are responsible for ensuring the compliance with the with the minimum wages specified in the notification so these officials conduct you know inspections they receive complaints and take appropriate action against all the employers who categorically fail to pay the mandated minimum wages so non-compliance may result in penalties or other legal consequences for employers when you look into the periodic revisions and amendments The government actually periodically reviews because the government happens to be the biggest decision maker. We have already seen that in both the methods. The government periodically reviews the minimum wages and may take necessary revisions or make necessary revisions or amendments based on changing economic conditions, the cost of living and other relevant factors associated with that.

Minimum wages are communicated through subsequent notifications which supersede the previous ones. So the notification method provides a very legally binding mechanism for the fixation and implementation of minimum wages. It ensures that the employers are aware of their obligations and workers are entitled to receive the prescribed minimum wages for their labour. So this particular method categorically allows for more transparency more uniformity in wage determination across scheduled employment while facilitating compliance and enforcement.

So this is what we understand with respect to the periodic revision and amendments. Now, when you look into the payment, how is the payment made? This is also vital. When you look into the mode of payment, the act actually mandates that the employers pay wages to workers and At or above the minimum rates fixed by the government so that they cannot, you know, shy away from doing that.

Wages can be paid either in cash or by check and payments should be made on time. That is very particular. Typically at regular intervals, maybe it could be daily, maybe it could be weekly or monthly as specified in the employment contract. or industrial regulations.

So employers are typically prohibited from making deductions from wages other than those permitted under the law.

When you look into the cash payments, typically there are, you know, wages are typically paid in cash to employees. Traditional mode of payment is the cash payment methodology. There could be also direct handover of wage amount to employees. This is also one of the traditional way. But most importantly, these are related to cash payments.

There is also possibility of check payment. Wages are usually paid at regular intervals. Some of the jobs actually warrant check payments such as weekly, bi-weekly or monthly. So employers issue checks to employees. They provide a record.

of payment and can be traced. So in the traditional payment, we see that there is cash payment, there is direct handover of wage amount to employees. When it comes to check payments, wages are usually paid at regular intervals such as weekly, bi-weekly or monthly. So employers actually issue checks So it provides a record of payment that can be free.

So this is something which is very significant. There is some level of accountability that is coming in. There's some level of trail that people can actually conduct a check and balance here with respect to the check payments. When you look into the DBT, direct bank transfer. The employees are required to pay wages directly to employees and not through intermediaries.

That is vital here. Even when you are looking into cash payment, check payment, you know, the possibility of an intermediary coming into picture. is there but it is less but when you look into something like direct bank transfer you know the employees might give who might not have access to the banks they might actually give the account of a relative a near and dear one so there is a possibility of exploitation that can actually come in There is a possibility of fraud or such fraudulent practices that can actually set in. So that is very much checked here with respect to the direct bank transfer.

Employers are categorically required to pay wages directly to the employees and not through intermediaries. So based on that, wages are transferred directly to the employee's

bank account and it in fact raises a very convenient issue of salary or wages and it certainly reduces the risk of theft or loss now when you look into these aspects what are the benefits of this mode of payment you know you look into this mode of payment you have transparency no doubt about it it ensures transparency in wage payment it provides clear records for both employers and employees this is vital Not only for the employer, for the employee also there is a trail as I have already mentioned. They can always track the incoming fund or the incoming wage.

There is security associated with it because it reduces the risk of theft or loss associated with cash payments as I have already mentioned. And most importantly, after transparency and security, I would say the convenience. It offers convenience for both employers and employees. It facilitates easy tracking and management of payments. So what we understand here are some of the critical benefits of the mode of the payment.

It could be transparency. It could be security. It could be convenience. When you look into the miscellaneous provisions, that is what would actually interest us now. Following are the miscellaneous provisions.

If you look into our theme, this was the last theme of the lecture. What are the miscellaneous provisions? So following are the different miscellaneous provisions in the act. The first and the foremost, very quickly, we'll see payment of wages in legal tender. The second provision is for the fixation and revision of minimum wages.

We have talked extensively on that. There are provisions for working hours over time and rest intervals. There are also provisions given for deductions from wages. We have extensively discussed on that. Just summing it up, we have certain miscellaneous provisions associated in the act for the maintenance of registers and records.

We also have inspecting authorities and their power. coming under miscellaneous provisions. And finally, we have certain miscellaneous provisions in the Act towards the penalties for violations. So what we see with respect to the miscellaneous provisions is comprehensive coverage of all the required aspects associated with payment of wages in a legal tender. When you are looking into payment of wages and legal tender, please note explanation of the provision ensuring wages are paid in legal currency.

So importance of this provision in preventing exploitation and the critical transparency that is associated with it. When you also look into the fixation and revision of minimum rates of wages, please note that It is the process of determining minimum wages. It is the method by which the minimum wages is fixed. Factors considered in fixing and revising the minimum rates are typically the most critical aspect.

And when you look into the elements like working hours, overtime, rest intervals, etc., Please note that when you are considering regulation of working hours to prevent exploitation, that is one of the important things. When you are looking for provision for overtime wages and rest intervals, that is yet another significant thing. Also, we look into the deduction from wages. We'll see that there are certain permissible deductions that are allowed from wages.

There are certain restrictions on deductions to prevent unfair practices that are also significantly represented. When you're looking into the maintenance of registers and records, there is a requirement for employers to actually maintain accurate record of wages and employment details. This is a one welcome agenda for both the employers and employees. The importance of the documentation in ensuring compliance with the Act has already been categorically established. When you look into the inspecting authorities and their powers, please note there's an overview of authorities responsible for enforcing the Act.

It powers the powers are granted to instructing authorities to actually ensure proper compliance. And finally, please note discussion of penalties for noncompliance with the act also comes under the purview and it has certain provisions within the act. There are certain discussions of penalties, what will be the fine and other consequences for employer employers who actually violate the provision. So please note, we have tried to comprehensively understand what. Are the key provisions miscellaneous provisions associated with this act?

What are the different mechanisms or methods to actually go in and fix or revise? I repeat, fix or revise the wage. So this has to be considered again. I will try to reemphasize

it has to be considered under review. both the conditions of economic viability and also administrative viability.

We should consider it from the employer's point of view, whether the employer is able to pull it off. Whether there is an economic viability that the employer can actually give the additional amount that is otherwise suggested. And so is the possibility of administrative feasibility. Will it actually disrupt the working momentum or the working equation or the power equation within the factory or within the particular workplace? So all these factors have to be considered.

All the stakeholder consultation has to happen to get into a finality. The final decision making is with the government. But there are certain processes which we have categorically seen in this lecture, which will enable, which will equip the government of the day to actually make an informed decision. That's all from today's class. See you with greater details in the next class.

Till then, take care. Bye bye. Amen.