

Business Law for Managers
Prof. S. Srinivasan
Vinod Gupta School of Management
Indian Institute Technology - Kharagpur

Module No- 06: Legislation on Wages
Lecture No #26
Background, Concept and Importance of Legislation for Wages

Welcome to the lecture 26 this is the first lecture in the module. In the previous module we discussed about factors act wherein we discussed about a lot of health and safety welfare provisions and work hours. In this module we are going to primarily talking about you know the legislations with respect to wages.

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BUSINESS LAW FOR MANAGERS

Introduction

Wage and hour laws are the laws that deal with the wages rates an employer can pay its employees and the hours for which an employer must compensate its employees.

The most well-known wage and hour laws are minimum wage laws, payment of wages law and payment of bonus law. We will discuss all about these in this week lectures.

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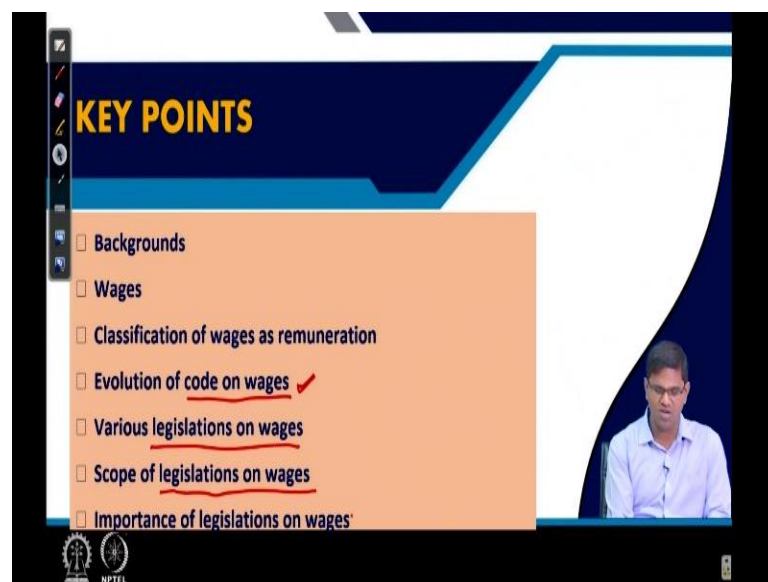
And today's lecture we are going to talk about introduction about the legislations which are with respect to wages provisions. And when we talk about the wages so the wage laws and hour laws are the laws that primarily deal with the wage rates that employer has to pay to its employees. And you know it is also associated with the number of hours an employee work in a factory that has to be compensated by the employer.

And if you look at the some of the major wages which are wage loss which is respect to the payment of the wages which are minimum wages law. And which also talks about you know what is the minimum wage that has to be paid to the workers and the payment of which is a law

in this one we will be discussing about what is that you know provisions with respect to how what is to be paid what is to be deducted.

When it has to be paid in case in there is a failure in a payment is there a delay in the payment what are the consequences? What are the remedies which are available for the workers and also there is another important legislation provision which is going to talk about the bonus law these are the major legislations with our respect to the wages of the worker who are working in particular manufacturing factories.

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So, we are going to discuss all these in this week lecture today we are going to primarily discussing about the backgrounds about understanding our concept of a wage and you know what the different classification of a wage as remuneration are? And we will also spend time on understanding the evolution of the code on wages. As I said in the beginning of the module 5 yes, we had various numbers of legislations which are with respect to wages with respect to health and safety now we that have been consolidated code of wages.

So, we will understand spend some time on understanding the evolution of code and wages. It is still been have to be implemented but it is already consented by the President of India. We will discuss on what are the evolutions what are the phases in which it has been happened? And we will also discuss about various legislations which are talking about the wages either it is talking about a minimum wage or the payment of which is and also bonus and gratuity in other aspects.

And we will also talk about what are the scopes of this legislation on wages? What is it going to offer for the employees? And also, what are the obligations for the employer to fulfill under these various legislations. And we will also discuss about some of the importance of this legislation on wages.

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Legislations on Wages

Background

➤ After independence, India has become a country that regulated workday a eight hours, abolished child labour and restriction imposed on employment of women in night. It has become one of the founding member of International Labour Organization (ILO) of UNO, that has legislated equal remuneration act, abolition of forced labour act .

Let us understand why this legislation on wages becomes so important after the independence. Post-Independence India has become a country which has become a signatory to various treaties of international labor organizations. So, India becomes first few countries which agreed upon to regulate the work day which is eight hours a day. So, you will be surprised why are we talking about you know (ILO) India being a party to the several treaties which India you know international labour organizations

Which are talking about you will be surprised to know that even now there are many developed countries still not a party to many of these treaties of international labour law organizations which meaning that if you know when the treaty has been passed by the International Labor organization. If you become a party you, are you know signed the trainer treaty then you have to as a country you have to integrate that treaty into your country's legislations.

So, India has become party to these you know regulating the work hours so because we have become a party, we regulated that yes, we are going to go that now 8 hours is the maximum day

work hour 1 employee can do in a day. So, it also abolished child labour and restriction imposed on employment of women in the night.

So, it has become one of the founding members; of international labour organizations. That has legislated the equal remuneration act abolition of a forced labour act you in India become a party to the (ILO). And we have actually come up with the equal remuneration act ensuring that yes, we pay equally for both men and women. And there is no discrimination on payment of wages to the workers based on any of the ethnic parameters or any discrimination do not take place in payment of wages and also abolish the forced labour act.

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The slide is titled "Legislations on Wages" and has a sub-section "Wages". The main text on the slide reads: "Wages mean 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....." Below this text, it says "----The Payment of Wage Act 1936". A presenter is visible in the bottom right corner of the slide frame.

Now as I said yes when we become a party to the international treaties, we are implementing those changes in our legislations now we are getting into the important aspects. Which are wages what does the wage means? The wage here is defined here in this legislation in a very broader sense which means all remunerations it can be whether by way of salary or allowances or otherwise may be any other ways.

You know if you look at you know a few three decades ago or even in some portions some part of the country we still see by salary and also by means their salary has been compensated. May in terms of providing essential supplies to the family also half of maybe 20% of their salary has been compensated by providing means that is why the definition is large in nature. Wage means

all remuneration it includes salary or any other allowances or otherwise which are included expressed in terms of money are otherwise capable of being expressed which would.

If the terms of employment, express or implied, were fulfilled and it should be payable to a person employed in respect of his employment or work done in such employment. So, if you look at the wage so, wage is nothing but you know in a simple term which is remuneration paid in return to the work they have done for the particular establishment in a simple term. So, though the definition which are very comprehensive larger in nature in a simple term which is nothing but remuneration which are paid to the effort they put in the particular job so that is what; the wage is essential mean.

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Legislations on Wages

Classification of Wage as Remunerations

- Wages as remuneration for the work and services rendered.
- Bonus, the additional benefit - pension, provident fund - given to the workers
- Gratuity- the benefits and payments made when the service period is over or at the termination of employment.

It is understood that the legislator's intent is to safeguard the interest of the workers by making provisions for wages and benefits and thus providing economic benefit.

Social Security legislation

$x = y$

Minimum wage

Fixed wage

Now lets us understand the classification of wages so wages are as remuneration. So, which we are primarily talking about the salary part which; are because you put in so much effort. For examples yes x is your input and to equalizing this input you have to pay y amount okay this is the amount y rupees y has to be paid so this is just remuneration. Now there is also other component which we are talking about bonus which is additional banner you know bonus is on top of these; remuneration of the basic wages.

One has to be paid so when you are talking about you know minimum wage or let say fixed wage. Fixed wage is the minimum which has to be paid for the amount of effort they put in then we are talking about a bonus which are all in additional right in top of fixed wages are the

minimum wages a factor will pay. Bonuses also additional benefits like you know pension on provident fund you know is also become a legal obligation which is part of the social security legislations yes employer will contribute.

We will discuss this in the following module but this is also coming into the various wage's component. And we are also talking about gratuity which is the benefit and payment made when employee work for a certain defined period in a particular factory at the termination time, when they leave the factory or during the superannuation meaning the retirement time the gratuity will be paid.

So, it is understood that you know legislators' intention which mean the state's intention the government of India is our government state government's intention is to safeguard the interest of the workers by making the provision for the wages and benefits thus so that now it provide give them the economic benefit. So why, these regulations or legislations are important? Because historical if you look at the worker sections are been exploited in various times you know.

That is why these legislations are trying regulate the factories on the wages to be paid now what is the minimum wages to be paid? Because, you cannot be exploiting the workers if they put amount of effort this to be paid that has to be paid equally to whatever their effort has been. And also, you know we have seen less several incidents that our payment has been you know delayed for so long.

So, there is a regulation where you know payment of which is act which is going to talk about. What is the requirement from the factory management to paying the workers within how many days one has to pay the workers? And also, if you look at you know bonus act it is going to talk about. What is the bonus amount which has to be paid to the workers? And it is also going to talk about the equal remuneration act all these legislations are regulating and trying to protect the interest of the workers.

In order to ensure that yes workers earn their wages which are right wage and also at you know at the proper time it is not there is a delay. And also, any additional benefits such as bonus and gratuity other things which are has to be you know entrusted to the workers that is why the intention of these legislations are.

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Legislations on Wages

Evolution of code on wages

- The Labour Codes aims to transform the old and obsolete labour laws into more accountable and transparent ones which is need of the hour.
- The preamble of the Code states that it is “an Act to amend and consolidate the laws relating to wages and bonus and matters connected therewith or incidental thereto” → Code on Wages
- The Code makes this opportunity to compound uniformly available and is a step forward in the direction of ease of doing business.

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1. M.S. & H.C.
2. Code on Wages
3. Code on S.S.
4. Code on I.R.
5. Code on O.S. & H.
1. M.W. Act
2. P.W. Act
3. B.A.

Now are going to discuss about the evolution of code on wages as I said in the beginning of module 5 you know there are 44 various labour legislations that are brought into four labour codes and already, I discussed about it. First is on occupational health safety and working condition then code on wages, code on social security. I am just, in an abbreviation what I am putting code on social security and code on industrial relations (IR).

So now we are talking about the code on wages so what is that how does it actually come under coded wages? So, the labour codes aim to transform the old which are you know the earlier versions of the legislations. And some are obsolete labour laws which are not relevant some of the legislations which are not relevant are become redundant not useful. So those are into more accountable and transparent one.

So, they are trying to bring the transform the old are some obsolete laws to make it more accountable and try you know a transparent one which is definitely the requirement at this point in time. And this preamble of this code preamble of the code which says that yes, the code on wages is an act to amend and consolidated the laws relating to wages. If you look at now pay attention this act attempts to consolidate the laws.

Whatever the laws already existing laws which are talking about wages which are talking about bonus that are other matters which are connected here with our incidental data. So, all these are

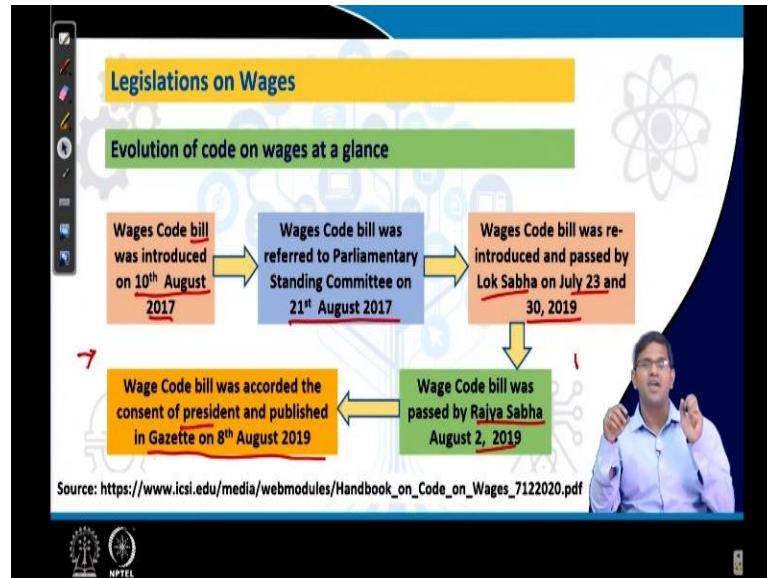
been consolidated and brought under this code on wages. Any laws which are talking about wages for example you the minimum wages act. Payment of wages act and bonus act so those act any other at which talking about the equal remuneration act.

All these things are consolidated into become a code on wages okay this code makes this opportunity to compound uniformly available and is a step forward in the direction of ease of doing business why this is actually an effort? As we are talking about you know there is a fierce competition between the several countries that how we are going to attract the employers? Because it is not about attracting investors and employers it is also that you know we have to support our large amount of workforces now we have to provide employment.

So, if you have so many legislations which become very difficult for companies which are coming from outside the country to come back and then understand what are the wages. Later so many ways legislations are available how I am going to implement. Similarly, anybody want to register or come up with the factory new factories. They also have a lot of difficulties there is its going to be very cumbersome for them to know do and follow all these legislations and being complaint with them.

So, they are getting into consolidation so that it becomes so easy and it will help in ease of doing business that is why this consolidation is happening. And also, to remove any redundant you know there are repetitions there are overlaps and are some inconsistencies between certain legislations. To come out of all, these inconsistency consolidations remove the redundancies of which in the various legislations that are why the labour code has come into a picture.

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So now especially on this code and wages how does it been started so the wage code bill it is before the act it was a bill is introduced in the parliament in on tenth of august 2017 which was placed before you know the parliament for the discussions. And this wage code bill was referred to parliamentary standing committee in on twenty first August 2017 and this code was introduced and passed by the Lok Sabha on twenty third and thirty of July 2019.

Which is mean yes, the parliament and the Lok Sabha has actually approved this legislation and this bill was passed by Rajya Sabha. Once it is been approved by you know lower house and has been to the upper house in Rajya Sabha on august second in 2019 which were passed in Rajya Sabha as well. Once they got you know the approval from Lok Sabha and Rajya Sabha which has been accorded and consented by the president and as published in the officially on gazette on eight august 2019.

Now comes the question whether it has been effectively implemented all, this requirement has been met but it is still not effectively implemented as such. Because there are some stakeholders are giving their views on whether the employer and the union representatives all that is been you know considered and consolidated considerations happening. And also, off course the pandemics actually delayed this implementation we are expecting likely to be implemented very sooner but does it going to impact what we are learning now?

Not largely no because we are actually focusing on the major aspects which are already being part of this labour code. Now we are learning as an independent asset but the provisions are essentially the essence are going to stay with the code and wages as well.

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Legislations on Wages

Various Legislations on wages

There are some laws which regulate wages and benefits while operating a business in India. They are as follows:

- Minimum Wages Act, 1948 ✓ →
- Payment of Wages Act, 1936 - →
- The Payment of Bonus Act, 1965

Details of all these acts have been discussed in the next and onward lecture sessions.

Now let us see the various legislations on wages there are many laws which regulate wage and benefits to the workers. As I said; yes, the intention of the legislation are wages to regulate the wage practices of the factories which are operating in India. So, the major ones we are going to see in this course are minimum wages act and what is it will it is going to talk about what is the minimum wage how the minimum wage are decided?

How often it is been revised so how the minimum wage has been decided for various industry if u look at, I cannot come up and say single minimum wage for all industries you know. There are in different industries different skill levels people with the different skill sets are going work in a factory. And also, you have administrative non-administrative shop floor people and also region wise there are you know inflate considering the inflation into considerations yes, some factory may operate in a city some operate in a village.

So based on considering all this minimum wage will be time to time reviewed and revised and it will be implemented. So, the minimum wage act we will be discussing it and also, we will be talking about the payment of wages. So, the payment of which is act is to going to regulate on the payment to be made to the workers. And what are the deduction which are allowed meaning

that the legal deductions? And which are those deductions which are not allowed which cannot be the part of the reductions.

And we also talk about a time of payment mode of payment the payment of wages act is going to talk about? What is the time at which the payment has to be made to the workers every month? And it will also talk about what is the mode of payment you know is it going to be a cash? Or in kind or in the bank transfer all that information we are going to see in this payment of wages act and the next is the payment of bonus act the bonus act is going to regulate on.

What is the bonus payment? How what is the minimum bonus to be paid what is the maximum bonus to be paid? Who are eligible entitled for the bonus? Who are not entitled for the bonus? What are the various aspects in which the payment has to be the payment of bonus to be provided to the workers? What is the time period in which the payment bonus to be paid to the workers? So those are to be covered in the payment of bonus act so this will be discussed on the subsequent lectures in this module.

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Legislations on Wages

Scope of legislations on wages

The scope of dealing with labour laws may be very much useful as all these have many provisions to safeguard the interest of workers of organised and unorganized sectors in India.

However, the discussion on few essential acts and their features will serve the importance of learning of these laws.

Handwritten notes:
Utilised Delay in payment
Payment of wages
On board
Minimum wage
Equal Remuneration Act
Ratna - 1% of bonus paid after 15th day

Now let us try to understand the scope of various legislations with respect to wages. So, you know especially looking at a scope of these legislations which are related to the wages which are very useful and as all these have many provisions to safeguard the interest of the workers of both organized and unorganized sector in India. Now why we are talking about this? Because as long

as if you there are no regulations which are governing on the wages then it will be very difficult to protect the interest of the workers.

Where we are seeing that yes as we discussed in the beginning of the lecture there are potentially likelihood to have exploitation on the workers with respect to the wages, we have seen many instances. That you know there are workers being underpaid right underpaid is many instances this was case. So, the minimum wage act is going to help to ensure yes if you are employed you have to be at least paid the minimum wages which are going to be a decent wage.

That you know with which man of the worker will be able to meet their bare minimum require you know needs of one's own family and that is why the minimum wage act is going to regulate. This instance underpaid is not in place and we are also going to talk about a payment of wage where we as I said there are instances you know unusual delay in the payment. So, there are incidences which are reported in various parts that yes workers are not paid timely.

So, the now how does it going to be addressed through payment of wages act payment of which is act which is to govern. So yes, if a worker is working you have to pay the worker within the stipulated time. And there also employer is asked to maintain a register on the payment to be made to the workers. So that is going to be governed and also when we talk about the bonus yes when a worker is working on a particular facility. Here she is working then it is going to regulate what is the percentage of bonus to be paid to the workers.

And it will also talk about at what time of the year it has to be paid okay it should be paid. So, all this going to help you know to safeguard the interest; of the workers and however the discussion of few essential act and the features will serve the importance of learning these laws. And we are also as we said we are also going to learn about equal remuneration act which is the one of the important legislations which is going to talk about.

So are we going to pay the workers both men and women are going to be paid equally no discrimination. On this so this labour legislations which are on wages which are one of the important legislations which are very essential for the workers. And either it has been you know implemented effectively or not; we are going to see. And during this course we will also discuss about various incidences of practices.

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The slide content is as follows:

Legislations on Wages

Importance of legislations on wages

- The law on wages acts as a tool to promote worker empowerment as well as worker protection.
- The law on wages aims to correct the imbalance of power between the worker and the employer. (Balanstara)
- Law on wages aims to prevent a race to the bottom by placing restrictions on the contracting partners' freedom to contract on whatever terms they wish, and setting minimum standards over safety and pay structure

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- "Principal Employer"
- ↑
- Payment of wages
- ↓
- Contract workers

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And also, this law in; wages act as a tool to promote worker empowerment and also worker protection. If you see these laws on wages or either it is a minimum wage or is it going to be a payment of wages or it is going to be the bonus act or an equal regulation act which is going to empower the worker how it is going to empower the worker? Because if a factory management do not pay the minimum wage so they are actually violating the law and the worker have the protection.

So, this can be you know reported to the proper authority and they can act take action against the factory management who is not paying the minimum wages to the workers right it is also in a way it is going to empower the workers. Similarly, is the case that if there is an unusual delay in payment of wages this act is going to empower you that yes if there is a delay you can actually report it to the competent authority the competent authority will take action on the employer.

And also, will make an employer to pay with certain interest for the delay they make on payment of the wages. So, this actually trying to protect the workers also empowers the workers that yes, I can actually you know ask my employer to pay me on by this time if they violate so or not doing so. I can actually reach out to the competent authority so that my rights are protected and I am empowered.

And this law which is also aims to correct the imbalance of the power between worker and employee. As I said this is you know with respect to the exploitations we have as we seen from the you know post industrialization era where I observed a lot of exploitations on the worker from the employer. So, these actually try to correct the imbalances of power between the worker and the employer.

So here worker are given certain power to you know to hold their rights which were talking about essentially yes, I have to be paid the minimum wage have to be provided my wages on time and law of ages also aims to prevent you know to the bottom by placing their restrictions on contracting partners freedom to contract on whatever terms they wish setting minimum standards over the safety and pay structures.


So, these also trying to prevent any exploitation with respect to you know setting the wages lowering the wages all this aspect has to be are prevented through these legislations. And we also see that you know contract act regulations which are also one of the acts which are trying to govern the contract workers. From the payment of which is act the payment of agents' act is actually also talks about the contract workers payment.

Because we are seeing the several incidences of contract workers is not being paid by the contract agency though the employer pays the contract agencies there is a delay by the contract agencies in paying the workers. So, in these instances also the payment of wages says that yes it becomes the duty of the principal employer to pay the workers and ensure then you are verifying the payment made by the contract agency to the contract workers. In this way the contract worker is also safeguarded through these legislations.

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CONCLUSION

This is introductory lecture of this week. Attempt has been made to give an overall idea of the basic issues like-backgrounds, wages, classification of wages as remuneration, evolution of code on wages, various legislations on wages.

And scope of legislations on wages. After having a brief idea, we will go for learning in details in the next and onward lecture sessions.



So, these are the references. This is an introductory lecture; which are provided a very basic understanding on various legislations which are available on the wages act wages with respect to minimum wage or repayment of wages or bonus or equal remuneration act. Going forward in this module we are going to dwell into each of these legislations independently. We will begin with minimum wages act and then we will go with the payment of wages and we also see the bonus act.

How the provisions are implemented what are the mandates which are coming from those legislations. This is going to provide lot of insight for the working professionals also for an

employee who is going to work in a factory that yes. What are your rights? When; you are employed in a particular factory in terms of their payment in terms of your bonus; in terms of your protecting your wages, and your rights in the workplaces. So, which is going to be very interesting to look at all those legislations we will start with the payment of wages in the next lecture thank you.