

Business Law for Managers
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Module No- 06: Legislation on Wages
Lecture No # 27
Payment of Wages

Welcome to lecture 27 this is a second lecture of module 6 in the previous lecture we have given a brief orientation about what are the legislation? We are going to discuss about legislation on wages because this is one of the critical wages. If you look at you know the term of employment everybody is employed in particular manufacturing organization or any company, they have to be paying their employees for the amount of effort they put in.

So, the legislations with respect to wages are very important from 2 perspective one is from you as being a potential employee or as an employee as a worker of a particular factory what are my legislation which talks about the payment of wages how much I should be paid? What I should receive? What I should not be get deducted from salary? And it is also talking about a bonus, gratuity and other benefits which I am going to earn.

So that is why the legislation and wages are very important now if you look from the managerial perspective. Yes, as a manager you are running a company and you are bestowed with the responsibility of taking care of your factory in terms of. When you are becoming a responsible person as an occupier or as a manager of a company you have to know what are my legislations?

What my legislation talking about in terms of fixing the wages for my employees that wage should not be lower that what my government is fixing timing to time. And that is same time how should I pay my workers? Of course, I fixed a wage my government is instructing me these are the minimum wages below at which you pay. Now I should know with what time how much I should pay the workers within the stipulated period I should make the payment.

And what about the when I engage the contract workers and also, we are going to talk about the bonus what is the bonus requirement. How much I should pay bonus? Who are my employees are eligible? So, what is why this legislation on wages is very important legislations. Today we are going to discuss about that the first legislations which is a payment of wages act.

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BUSINESS LAW FOR MANAGERS

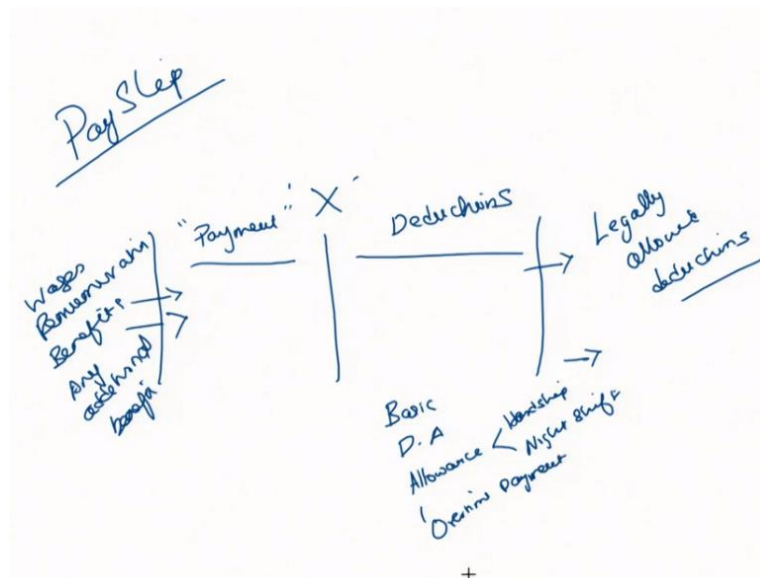
Introduction

The Act guarantees payment of wages on time and without any deductions except those permitted under the Act. It list down the responsibility for payment of wages, fixation of wage period, time and mode of payment of wages, permissible deduction as also casts upon the employer a duty to seek the approval of the Government.

Also for a machinery to hear and decide complaints regarding the deduction from wages or in delay in payment of wages. Brief on various provisions of this act may be discussed in this lecture

So, let us get not the lecture see what does this act actually giving you? So, if you look at this act primarily talking about the payment of wages on time. This act specifically is going to talk about very important aspect is that yes how much I am going to pay my worker and what time I am going to pay? So essentially this is going to talk about wages I would be paid on time. And what are the deductions I am allow to go for it. For example, we know you know yes as an employee I will be paid x amount of money.

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So, of you are already employed you know that yes if your pay slip somebody receive a pay slip from a factory you would have r from your organization. You always see there are 2 important columns largely 2 columns which is talking about you know payment. I am just

putting a very large item so that you know it is consistent with anyone who is receiving in a different format.

But for people who are going to join a company you will be able to know this and there are deductions. Now this is what this legislation is talking about so this will all talk about wages remuneration then it will also talk about certain benefits or maybe any additional payment. These are all will be reflected here in this column now this will also talk about the deductions. What; are my deductions this act is going to be specifically talked about legally allowed deductions.

So, this act is specifically talking about what are the deductions a company can directly take it from the employee when they are crediting the salary. And also, this act is going to list down what are the deductions which cannot be made when they are making a payment to the worker. So those are become you know illegal deductions that deductions cannot happen when they make the payment to the workers.

That is why this legislation is important because you as an employee in a particular factory you should know. What are the deductions which can directly go from my salary with directly my employer can take away from my salary. There are deductions which cannot be directly taken away from your salary. So, this act will also talk about so what is the you know it is also going to list down the responsible payment of wages yes how much I should pay what time I should pay?

And it is also talk about fixation of a wage period so what is the period which I am going to calculate paying my employees? So certain factories may keep the first day of the month to the last day of a month. May be let us say 1 to 30 or 1 to 30 first that is my wage period calculation some factory or some company may have a different way of paying. So, for example the period of pay starts the calculation starts from twenty sixth of the previous month to the twenty fifth of the current one.

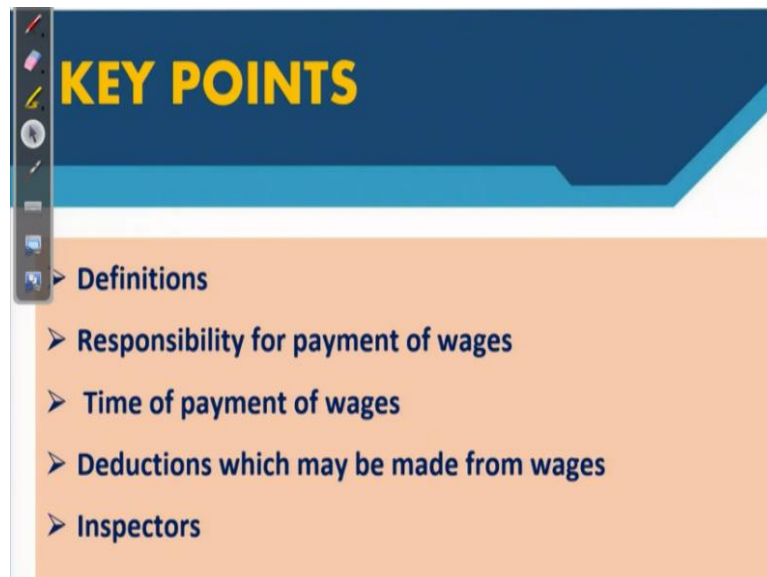
So that is also the 30 days period so some factory for the management of the paying the salary because. So, they have to pay their employees either on first or and we are going to discuss about what time they should also pay their employees. So, for keeping time to calculate their wages and any you know leave they made or any deductions to be made. So, they keep some buffer time so factory may or a company may keep a different wage period.

So, they have to discuss about the fixation of the wage period and mode of payment of wages how they are going to pay their employees or workers. Are they going to pay through bank transfer? Are they going to pay by cash? Or may be proportion of the salary in cash proportion of the salary in bank transfer? Or may be proportion of the salary in bank or may on some kind?

And also based on what are permissible deduction as I was already talking about, we are going to see in detail and it also sets a machinery to here and decide and complaints regarding the illegal deductions. Or which are not allowed to deduct from employees and also this also provides the mechanism or a machinery to see in case there is a delay in payment to the workers.

So that is also this act also gives a remedy and redressal system to in case there is a delay by my employer in paying my salary on time there is always a delay in making the payment to me through for wages. So, this act is giving a provision about what can be done in case there is a delay from the employer.

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Then so what are we going to discuss on this particular lecture is we are going to talk about key definitions as we are already seen that yes. Some definitions are important to understand the various integrities these legislations. Then we will also talk about the responsibility for payment of wages and we will also talk about time of payment of wages. And we will also talk about time of payment of wages and we are also going to see as I said yes, we are going to see the deductions which are allowed.

And also, deductions which cannot be made from my salary and the roles of the instructor this what we are going to primarily look at in this particular lecture.

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Payment of Wages

Meaning of Wages

"Wages" means 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 and includes –

- (a) any remuneration payable under any award or settlement between the parties or order of a court;
- (b) any remuneration to which the person employed is entitled in respect of overtime work or holidays or any leave period;
- (c) any additional remuneration payable under the terms of employment (whether called a bonus or by any other name);

Now as I said the definition is one of the very important definitions it is as per these legislations to understand the term wages. Because we are talking about a payment of wages what are those covered under the wages? So, wages means all remunerations which are inclusive maybe way of salary or allowances or otherwise maybe you know if you look some company may give.

Maybe I can just describe about your salary some company will say basic, dearness allowance and some factor may also say allowances. Some factor will say even in allowances they say hardship allowances. Some factor will say even in allowances they say hardship allowance or say you know night shift allowance. And it can also be you know overtime payment.

So, there are many components will come into the payment or the salary component so that is why you know it also includes about all allowances express in terms of either of money or can be otherwise and it also includes what does it also include beyond this? We are also talking about any remuneration payable under an award or settlement between the parties or through a court.

For example, there is a dispute between an employer and employee on some terms so when there is an award or some settlement as to be made. Somebody is leaving the company that

we call it as full and final settlement for the period that employee is worked. Any benefits which are acquired during the period of this stay here you know his or her stay that has to be paid.

So that also comes under the larger definition of the wages and any remuneration to which the person is entitled to in respect of overtime as I said no any overtime payment or holiday or any leave payment. For example, workers are eligible to have an earned leave every year. As you work for every 15 days you are going to accumulate one day on under leave. So, in a year you will have 15 days of earned leave that earned leave were leave a holiday payment or any payment are also included part of a wages.

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Payment of Wages

Meaning of Wages

(d) any sum which by reason of the termination of employment of the person employed is payable under any law contract or instrument which provides for the payment of such sum whether with or without deductions but does not provide for the time within which the payment is to be made;

(e) any sum to which the person employed is entitled under any scheme framed under any law for the time being in force

Or any additional remuneration under the terms of employment for example see the proportion of the bonus then what are the other things? You know any some by which a reason or termination of the employment. As I was saying that you know when you are terminating from an employment yes you have worked for a certain period of period in your company, you would have been liable to earn certain amount through either through bonus, earned leave any encashment leave encashment are allowed.

And any other benefits which are listed down as per your employment contract when I refer to employment contract I am talking about your appointment letter what are being stated? So then many other things which are, you know, some which is a person employed is entitled to under any scheme framed under the law. So maybe, you know, if you are working under a mining or maybe, you know, seasonal or seasonal employment.

There is any specific legislation which guarantees you a certain number of benefits or maybe the gratuity payment if you have worked for more than a certain period of time. So, those all comes under the larger definition of wages.

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Payment of Wages

Responsibility for payment of wages

Every employer shall be responsible for the payment to persons employed by him of all wages required to be paid.

- In the case of the factory, manager of that factory shall be liable to pay the wages to employees employed by him.
- In the case of industrial or other establishments, persons responsibility of supervision shall be liable for the payment of the wage to employees employed by him.

Now, when we are talking about responsibility for the payment of wages, what is that you know? Every employer shall be responsible for payment to person employed in the factory or a company wherever you are. So, who are those person? In case of a factory manager of the factory will become a responsible person or become liable to pay the wages to the era workers or anybody employed by him in the particular factory.

Then for example, we may or other industrial establishments, any person responsible for supervision will obviously become a liable person to ensure that. Yes, those employees who are employed in my particular establishment or my industry are paid the wages.

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Payment of Wages

Responsibility for payment of wages

- In the case of railways, a person nominated by the railway administration for specified area shall be liable for the payment of the wage to the employees.
- In the case of contractor, a person designated by such contractor who is directly under his charge shall be liable for the payment of the wage to the employees. If he fails to pay wages to employees, person who employed the employees shall be liable for the payment of the wag

So then in case of a railway, so railways are a person nominated by the railway administrations. So for example, if you see you know, in India, we have you know Southern Railways, Eastern railways, northern railways, south Eastern railways, right, so those, we have a commissioner for those regions, right. Those persons become a responsible person to ensure that yes, all the persons who are employed under the railways has to be paid.

And in case of a contractor, who is become responsible in case of a contractor? So any person designated by such contractor is no class to pay the rest, pay the workers. In this case, you know, you have 2 perspectives when as a contractor, when for example, if you are a factory or running a factory, and you are employing a contract worker, or you are supposed to be a contract worker who is responsible?

Yes, first instance, the contract agency or a supervisor of the contract agency is responsible to make payment. Now, in case if a suit supervisor or a contract agency fails to make a payment or delays to make a payment then becomes a responsibility of a principal employer. I think I have even repeated in a previous lecture as well, if you remember the principal employer is for example, I am a factory i have a contract agency employ mean engaged to serve run through certain activities or functions in my factory.

So, now, I am as a factory management I am a principal employer. So, I pay my contract agency to pay the subsequently to the contract workers. In case there is delays are no payment by the contract agency, it is responsible the principal employer to oversee the payment made to the contract workers. In case there is an again an unusual delay by the contract agency not paying the workers.

Then as a principal employer, I should pay the contract workers and recover whatever the money I paid to the contract workers that is what the act says that. Yes, there is a responsibility of the principal employer in ensuring this all your contract workers are also paid.

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Payment of Wages

Time of payment of wages

- In other railway factory or industrial or other establishment, if there are more than 1000 employees, wages of employees should be paid before the expiry of the 10th day after the last day of the wage period. (ex:- wages should be paid on starting of present month within 10 days i.e. before 10th date if wage is paid on 1st in previous month)
- For employees of port area, mines, wharf or jetty, wages of employees should be paid before the expiry of the 7h day after the last day of the wage period.

Now comes very important aspect of time of payment of wages. So, you know it is applicable to railways or any other industry displacement what is the time of payment?

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The handwritten notes are organized as follows:

- Time Period**
 - On or Before 7th of Every month
 - On or Before 10th of Every month
- # Employees**
 - ≤ 1000
 - > 1000
- Wage Period**
 - A: 1-30 → 7th of Subsequent month
 - B: 26-25 → 1st or 2nd of Subsequent month
- Process**
 - Calculate legal provision
- Timeline**
 - 1-30 - 7th

So, as per you know, the payment of wages the time of payment is you know we are classifying into 2 categories of you know establishments are any factory or any establishment for the sake 2 categories of you know. One is we are employing less than 1000 employees let

us keep it employee number of employees. Now, the second category is that more than 1000 now, the time period.

When a factory or a, establishment has to make the payment to the employees or workers. So, when you are an establishment, which is having less than 1000 employees employed in your establishment you have to make a payment on or before seventh of every month. Let us say this month 1 to 30 then the next day of by seventh you have to pay seventh of every month you have to pay. In case if you are employing more than 1000 employees or workers in your factory you have to make payment on or before tenth of every month.

Now, why these classifications? Because the amount of effort the employer has to put into you know process and also calculate and see what are the legal deductions for example PF, employee state insurance all that has to be calculated. So, that is why there is there is some sufficient time is provided to any employment establishment which has more than 1000. So, they can pay on or before 10 and if your employment industry or an organization were employing less than 1000 you have to pay before seventh of every month.

So, now comes the same thing which I was already discussed. So, our otherwise you know, there are some industry regular port areas mines valve or there it has to be paid before the experience seventh day after the last day of the wage period. Now comes if you look at know the last day of the wage period, it is very important to understand. Now comes how do we understand the wage period as I was discussing earlier.

See, for example, some I am going to give an example A is a factory which takes first to thirtieth is the wage period. Now, when they are allowed to pay? So, after the seventh of seventh day from the last day the expiry of the wage period, now let us say thirtieth. Now it is seventh of the subsequent month right seventh of subsequent month. Now, I want to give another example, where this is an employee, you know another factory which is taking 26 of the previous months to twenty fifth from the current month.

Now, what is the seventh day? Either it is first or second if it is 31 days of the month, so it will be either first or second of subsequent month. So, I need to ensure that yes, I pay in case this is my wage grade I should pay by first or by second or in case if I am calculating my wage, but it is one to 30 then you are allowed to pay by seventh of the subsequent month. So,

this is what it is talking about time a wage okay. Now, there is also no which I can talk about in case there is a delay in payment of wages if there is an initial delay.

So, there are mechanisms which are the employers or workers can actually escalate this to the concerned competent authority and for the delay that they make the factory management has to pay the wages. Whether you know additional interest which is 12% per year at a simple interest that is you know legal obligations on the employer. So, there should not be any delay in making the wages.

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Payment of Wages

Deductions which are acceptable

The following are said to be the deductions and which are acceptable according to this act:

- Fines,
- Deductions for absence from duty,
- Deductions for damage to or loss of goods made by the employee due to his negligence,
- Deductions for house-accommodation supplied by the employer or by government or any housing board,

Now comes another important aspect of this particular legislation is deductions which are acceptable. What are the reductions which can actually be done by my employer when they are making my salary? So, any fines part you know in there is you know, any mistakes which you have done, and fines and deduction for absence of duty. For example, you are supposed to work for 25 days excluding your weekly holiday.

Then if you are absent in case, you fare overshooting you are already available casually or any dedicated limits which are available to you to avoid. For example, sickly you earned leave if are beyond this, if you are taking those deductions can be taken from your salary. And deduction for a damage or loss of goods made by the employee due to the negligence it is not you know if it is by negligence.

Yes, that deduction can be taken from your salary and deductions for house accommodation. For example, you are staying in a quarter where your factories providing you or your company is providing a township where you are staying in a township where there is been

provided by your organization. That yes, that deduction can directly taken from your salary or otherwise no.

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Payment of Wages

Deductions which are acceptable

- Deductions for such amenities and services supplied by the employer as the State Government or any officer,
- Deductions for recovery of advances connected with the excess payments or advance payments of wages,
- Deductions for recovery of loans made from welfare labour fund,
- Deductions for recovery of loans granted for house-building or other purposes,
- Deductions of income-tax payable by the employed person,
- Deductions by order of a court

Then comes a deduction for any amenities or services provided by the employer. For example, maybe a vehicle allowance or they are giving you a shuttle service. Or probably maybe they are giving you a phone facility or anything which they are giving you that services can be deducted from a salary. Or any advances you have already availed so then that may be such you know equated months they can actually deduct the advances from their salary.

And also, recovery of any loans from the welfare fund of the factory or welfare fund organizations. Otherwise, you know you have taken any loans for building your house or maybe any constructions or any marriage loan or education loan for your children. All that can be recovered means are deducted from the salary. And of course, income tax some states also has professional tax.

Of course, may all states have preferential tax but there are ceilings the difference with some states or some state for some states if anybody earns more than 10,000 has been deducted professional tax. Some states, anybody will earnings more than 15,000 are eligible to be director for a professional tax. So, those taxes which are bound to be paid by the employer that can be deducted from your salary.

Or any deductions by any court order that can be deducted from your salary and payment from a provident fund. Any payment to the provident fund or any payment that you have to

make for a cooperative society or anything you have to pay for your insurances. For example, employee's state insurance or maybe health insurance policies every month, you know to contribute towards your health insurances.

Yes, that can be deducted or any other premium payment of life insurance policies, if you are allowed your employer to deduct yes that can be deducted and any fund which you need to. For example, your factory has a trade union, where you are a member to the trade union that membership fee or a labor welfare fund that deduction can happen from your salary.

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Payment of Wages

Deductions which are acceptable

- Deductions, for payment of insurance premia on Fidelity Guarantee Bonds with the acceptance of employee.
- Deductions for recovery of losses sustained by a railway administration on account of acceptance by the employee of fake currency,
- Deductions for recovery of losses sustained by a railway administration on account of failure by the employee in collections of fares and charges,
- Deduction made if any contribution to the Prime Minister's National Relief Fund with the acceptance of employee,
- Deductions for contributions to any insurance scheme framed by the Central Government for the benefit of its employees with the acceptance of employee,

As I said you know of course any incidents or recovery a loss and also any other you know, because of the negligence you have committed those can be determined largely from looking at yes what are those reductions? If we can put it in a very simple form yes, any incidents provident fund annual leave deductions you are any home loans. Or a house loan or any advance you paid any loan you have already taken any fines which are legally allowed meaning that.

Yes, this has been agreed by both employer and employee and welfare fund deductions or union contributions membership fee all that can be deducted from your salary.

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Payment of Wages

Deductions which cannot be made from wages

At the time of payment of the wage to employees, employer should make deductions according to this act only. Employer should not make deductions as he like. Every amount paid by the employee to his employer is called as deductions.

The following are not called as the deduction

- Stoppage of the increment of employee.
- Stoppage of the promotion of the employee.
- Stoppage of the incentive lack of performance by employee.
- Demotion of the employee
- Suspension of the employee

Now, we are going to talk about what are those which cannot be you know called as a deduction which is will be qualified as an illegal deduction. Stoppage of the increment of an employee you know, that cannot be you know, called as deductions and you know, demotion of the employer a suspension of the employee are. Sometimes what will happen there are there can be some deductions which are not a lot that are maybe some which as an employee and employer relationship where you are union did not allow?

Or you are not given an accent are concerned that yes, this amount can be deducted then that is becoming illegal deductions. For example, without your; awareness that beyond these deductions; if some deductions can happen from your salary. For example, let us say no any complaints which have been come to qualify that as a fine that if they did have some money. Or you know they were illegally suspending you and then deducting the money from withholding some money from here paying your salary that is an illegal deduction. So those all becomes the not allowed it is becoming illegal deductions.

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Payment of Wages

Inspector and his powers

The state government may appoint an inspector for purpose of this act. Every Inspector shall be deemed to be a public servant. The inspector of this act is having powers mentioned below:

- Inspector can make enquiry and examination whether the employers are properly obeying the rules mentioned under this act.
- Inspector with such assistance, if any, as he thinks fit, enter, inspect and search any premises of any railway, factory or industrial or other establishment at any reasonable time for the purpose of carrying out the objects of this Act.

Now we are going to talk about the last aspect of this legislation is about the role of an inspector and his powers. State government may appoint an inspector for this purpose, why? And we are going to see the rules of it he or she is going to be a public servant, as we seen in the factories act as well. The inspector is becoming an on public servant. Though, what the inspector can do?

The inspector can make an enquiry examination, whether employees are properly obeying the laws. So, what is that major aspect? Are they making payment? Timely, which I am referring to timely, if you are employing less than 1000, you have to pay your employees and workers by the seventh day of expiry of the wage period. In case if you are employing more than 1000 you need to pay by a tenth of the subsequent month.

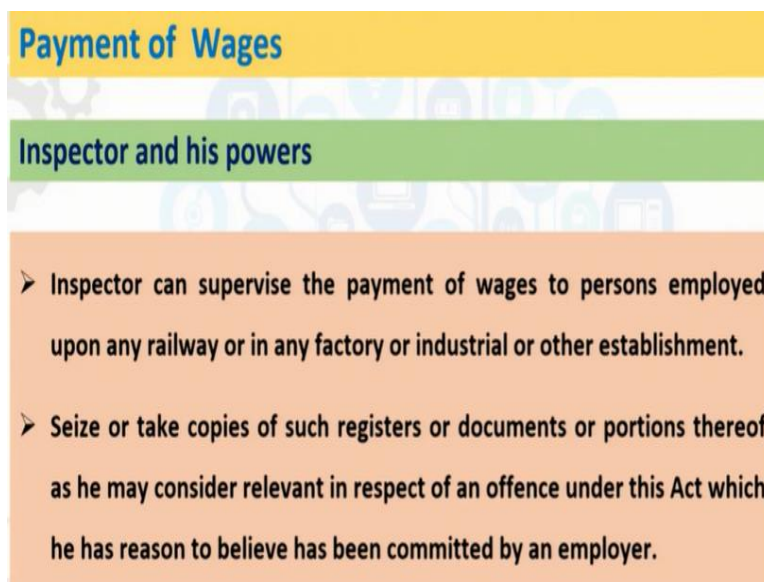
Then, you know, and also any deductions, are they making any illegal deductions that can also be examined by the inspector and inspector with such assistance? If he thinks fit that yes, you can inspect and search premises of any establishments, railway factory or industrial establishment for the purpose of carrying out the objective of this app? Yes, they can do what for example, what kind of searches we are talking about? Say for example, a factory is making a payment.

Now, it is a responsibility that yes, they keep a record of the payment made to the workers. If you are making through a bank transfer yes, you have to keep that record of paying the employee through a bank transfer. You have to show the list of bank transfers which are being paid to the workers that has to be done and any signature been obtained from the employees on the payment acknowledgement for the payment.

Yes, that has to be made and that can be verified. And if you are look at the payment of wages, you know, where we are talking about a mode of payment, where in you know earlier the cash payment was allowed. Even now, there are some factors, but post the digitalization and you know. We are talking about to know digital India all that government has mandated that yes; all payment has to be made through bank transferred and no cash payment is allowed in any of the factory premises.

So, that is also become one of the binding factors on the employer that yes, the inspector can verify are they making any cash payment beyond which has been required.

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Payment of Wages

Inspector and his powers

- Inspector can supervise the payment of wages to persons employed upon any railway or in any factory or industrial or other establishment.
- Seize or take copies of such registers or documents or portions thereof as he may consider relevant in respect of an offence under this Act which he has reason to believe has been committed by an employer.

So, then inspector can also supervise the payment of wages for example, there is a pay period that he or she can be physically there and see how the payment has been happening or sees any take any copies or register for the examination of this the ensuring that yes, payment has been made, no illegal deductions are made. And this can be done and also, you know, to meet the objectives of this act.

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CONCLUSION

This lecture session has covered the issues like – definitions, responsibility for payment of wages, time of payment of wages, deductions which may be made from wages, inspectors. It is very important part of learning about the legislations on wages which learners can learn while they are attending the lecture session.

So, these are the references and today we have discussed about the payment of wage act. The payment of wages are primarily talking about 3 important perspectives, one is about time of payment, are they making a payment on time? So, as we already discussed the stipulations on the payment and then the mode of payment, how are they making the payment are they making through bank transfer, then we are talking about deduction.

Which are the deductions been allowed, are they making any illegal deduction which are beyond the list which has been provided. Because that is not allowed for any deductions which are beyond whatever they listed down. And if without the consent of the employee, although if they make some deductions, then that is also become an illegal deduction. And these 3 important things this legislation is talking about.

And is also confers and provides that yes, workers are entitled to receive on time and there is a delay. They can actually reach out to the inspector of inspectors who have been appointed under this act to see that yes, there is a delay and they are they will investigate. And then they the workers will be paid when on top of the salary with an additional interest. As I said 12% per year, which is simple interest rate that will be paid for the duration there is a delay in making the payment of the wages. So, next lecture, we will be seeing another; legislation on wages thank you.