



A CRITICAL ANALYSIS ON PAYMENT OF WAGES ACT 1936

V.ARJUN

S. KAMAL RAJU

ABSTRACT:

During the British Empire's colonial rule in India, the Payment of Wages Act, 1936, was enacted. This is, the social, economic, political, and legal factors that led to the Act's necessity, as well as the statute. It is necessary to study the historical perspective in order to understand the background of the Act, the mischief it sought to address, as well as the scope and object of the Act and the deductions made which are authorized deductions and unauthorized deductions in order to aid in the better implementation of the Act considering the poor working conditions that persist even after many years of independence. The necessity to defend worker salaries was felt from the beginning of the twentieth century. These workers have always been exploited. Before the amendment of 1936 there were no proper wages for the employees, and they did not get wages in monetary form. But after the amendment of the payment of wages act, there were many rules and regulations enacted to benefit the employees. By doing so, the employees were regulated to get equal pay for equal work and the employers were required to provide the salaries in the form of cash. A private bill known as the weekly payment bill was first filed in the legislative assembly in 1925. The bill was dropped, however, after the government assured them that the topic was being considered. Employers imposing fines on employees and deducting double salaries for absent periods as a kind of fine was common back then. The government recognized the importance of limiting penalties and other deductions through a law in 1926.

KEYWORDS: Wages, Deductions, Employer Benefits.

A. INTRODUCTION:

Addressing the lack of uniformity in wage distribution and the difficulty of timely wage payment for workers in India, the Payment of Wages Bill was passed in 1935. When mechanical units and their workers protested against the mistreatment they received, the government addressed this issue. India's government contacted neighbouring governments to gather information about payment delays. The findings were then presented to the Royal Commission on Labor. In February 1933, the government re-evaluated the situation and introduced the Payment of Wages Bill, 1933, in the Legislative Assembly. This was based on the commission's recommendations. A variety of stakeholders provided their opinions on the bill during the discussion and debate.

This bill of 1935 underwent significant changes and renovations but retained the same basic principles as the previous bill of 1933. On February 15, 1935, a revised version of the bill was introduced into the Legislative Assembly, known as the Payment of Wages Bill. An ad hoc select committee reviewed the revised bill on September 2, 1935. The committee's report, which incorporated members' ideas and suggestions, was presented to the legislature. The Payment of Wages Bill, 1935, was reintroduced in the Legislative Assembly. The Payment of Wages Bill, 1935, represented the government's efforts to address wage payment issues in Indian industries. By enacting this legislation, the government aimed to ensure workers received their wages on time. It also aimed to ensure fairness and uniformity in wage distribution across various industries. After the reintroduction of the Payment of Wages Bill, 1935, in the Legislative Assembly, further discussions and deliberations occurred. The bill underwent scrutiny and amendments to assess its effectiveness in addressing workers' concerns regarding wage payments. During the legislative process, the bill's provisions were thoroughly examined and debated. The objective was to strike a balance between protecting workers' interests and ensuring employers' compliance with the legislation. The Payment of Wages Bill, 1935, aimed to establish a legal framework for timely wage payments to workers in various industries. It sought to regulate payment methods, intervals, and other related aspects to ensure transparency and fairness in wage distribution. The following are some key provisions of the bill explained in this paper.

B. SCOPE AND OBJECTIVE OF THE ACT:

The Payment of Wages Act regulates wages for certain categories of workers in India. It provides a legal framework to ensure timely and proper wages payment to workers, protecting their rights and preventing potential abuses. The scope of the Act covers a broad range of employees, including those engaged in the industrial, commercial, and agricultural sectors. It also covers workers on railways, factories, mines, and plantations. The Act applies to both organized and unorganized sectors, ensuring that workers across various industries are protected by its provisions.

The primary objectives of the Payment of Wages Act are as follows:

- 1. Consistent and Timely Wage Payment:** The Act aims to establish a system that ensures consistent and timely wage payment to workers. It emphasizes the importance of regular wage intervals and fixed wage periods. It sets guidelines to prevent delays and ensuring workers receive their wages within a specified timeframe.
- 2. Regulation of Wage Payment Procedures:** The Act specifies the procedures and requirements employers must follow while paying wages. It outlines the way wages should be calculated. It also outlines the modes of payment, and the records that employers need to maintain to ensure transparency and accountability.
- 3. Prohibition of Unauthorized Deductions:** The Act addresses the issue of unauthorized deductions from workers' wages by prohibiting certain types of deductions or limiting the amount deducted. It aims to protect workers from exploitation and ensure they receive their full and rightful wages.
- 4. Prevention of Wage Abuse:** The Act aims to prevent wage abuse and exploitation of workers by providing legal safeguards. It establishes penalties and enforcement mechanisms to deter employers from engaging in unfair practices or withholding wages unlawfully.
- 5. Dispute Resolution:** The Act also provides provisions for wage-related disputes resolution between employers and workers. It establishes labor courts or tribunals' authority to adjudicate disputes. It provides a mechanism for workers to seek redress in case of non-payment or underpayment of wages.

By addressing these objectives, the Payment of Wages Act seeks to protect workers' rights and welfare by ensuring fair and timely wage payment. It also promotes transparency and accountability, and provides

mechanisms for dispute resolution. It contributes to the overall goal of creating a more equitable and just labor system in India.

C. HISTORICAL PERSPECTIVE:

In the historical context, wage deduction and non-uniform wage payment came to the forefront during the early 20th century in India. Prior to that, labor rights and concerns were often overlooked, as laborers belonged to the oppressed class and faced exploitation and unfair treatment in various industries. In 1925, a Private Bill called the Weekly Payment Bill was introduced in the Legislative Assembly to address the issues of wage deduction and non-uniform wage payment. However, the government declined to pass the Bill, stating that the matter was already being considered. Following this, in 1926, the Government of India initiated efforts to gather information and research from state or provincial administrations regarding the problems faced by workers in relation to wage deductions and irregular wage payment. The collected material revealed the gravity of the issues, highlighting that companies were making unilateral deductions from salaries and failing to pay workers on time or in a consistent manner, leading to severe hardships for the workers. The material collected by the Government of India from the provincial governments was presented before the Royal Commission on Labour, which was established in 1929 under the chairmanship of John Henry Whitley. The purpose of the commission was to investigate and report on the prevailing conditions of labor in industrial undertakings and plantations in British India. The commission examined aspects such as the health and efficiency of workers, their standard of living, and the relations between employers and employees. The commission's mandate also included making recommendations to address the identified issues and improve labor conditions. This process of gathering information and investigating labor conditions laid the groundwork for recognizing the need for comprehensive legislation to address wage-related problems. It paved the way for the subsequent introduction of the Payment of Wages Bill in 1933, which underwent further refinement and was reintroduced in 1935, eventually leading to the enactment of the Payment of Wages Act in 1936. The Act aimed to establish legal provisions to regulate wage payment, protect workers' rights, and address the concerns raised by laborers regarding wage deductions and irregular payment practices. The Royal Commission on Labour, headed by John Henry Whitley, played a significant role in investigating and analyzing the prevailing labor conditions in British India. The commission's findings were crucial in understanding the issues faced by workers, including wage deductions, irregular payment, and the overall state of labor welfare. The commission's extensive research and deliberations led to the formulation of recommendations to address these labor issues. These recommendations formed the basis for subsequent legislative actions, such as the Payment of Wages Bill. The Payment of Wages Bill was initially introduced in the Legislative Assembly in 1933 but underwent significant revisions and was reintroduced in 1935. The revised bill incorporated the ideas and suggestions put forth by the select committee tasked with reviewing the earlier version. The bill aimed to establish a comprehensive legal framework for wage payment, focusing on ensuring timely, uniform, and fair wages for workers. It addressed the concerns of wage deductions by regulating permissible deductions and setting limits to prevent exploitation. Additionally, the bill introduced provisions for fixed wage periods, which mandated that workers should receive their wages within specified intervals. This provision aimed to alleviate the hardships faced by workers due to irregular wage payment. The debates and discussions surrounding the Payment of Wages Bill highlighted the importance of addressing the mistreatment and exploitation of workers, particularly in terms of wage payment. The bill received widespread support from various stakeholders, including labor unions and progressive voices advocating for improved labor rights.

Ultimately, the Payment of Wages Bill was passed, and it became the Payment of Wages Act in 1936. The act provided legal protections for workers, established wage payment regulations, and served as landmark legislation in Indian labor rights history. The initiatives undertaken by the Government of India, the Royal Commission on Labour, and the subsequent introduction and passage of the Payment of Wages Act showcased a growing recognition of the need to protect workers' rights and welfare. These efforts aimed to rectify historical injustices and create a more equitable and just labor system in India.

D. AMENDMENTS INTRODUCED IN CURRENT ERA:

To appreciate the current relevance of the Payment of Wages Act, it is necessary to understand the numerous revisions that have been adopted in this act from time to time to react to the needs of today's employees. This legislation was created a long time ago, and it may no longer be relevant in its actual sense for the current generation. were important revisions to the 1936 act that were introduced through the creation of The Payment of Wages (Amendment) Bill, 2017. The Minister of Labour and Employment introduced this bill in Lok Sabha. The most major change brought about by the new act is that employers are no longer needed to obtain written consent for the Wage payments can be made by cheque or through a bank account. Section 6 of the 1936 Act authorises the employer to pay wages exclusively in coins or money; but the provision provides that if the employer so desires, he or she may pay wages by cheque or by crediting the employees' bank accounts. However, only after gaining their permission. When compared to the time when the 1936 act went into effect, technology has advanced and evolved. A huge percentage of employees now have bank accounts.

No matter his level of wealth, the government has pushed every individual to get a bank account. A bank account is held by about 80% of the laborers and workers. Therefore, the ability to transmit payments by check or bank account has become simple for both companies and employees. By doing this, the number of employee complaints over inadequate and tardy wage payments will decrease. The government has stipulated that the only acceptable payment methods for the industrial and other businesses covered by the act are checks or digital transfers. The goal of the digital economy will be furthered as a result. The adjustments have already been made to numerous state laws, including those of Punjab, Haryana, Kerala, and Andhra Pradesh. Through this amendment, the Central Government has established the crucial policy of elevating the importance of electronic transactions. Adopting such a strategy will be beneficial in the modern day as it will undoubtedly streamline the salary payment process and, at the same time, make it easier to preserve the records for wage payment.

E. FIXING WAGE PAYMENT INTERVAL:

One of the key provisions of the Payment of Wages Bill, 1935, was the establishment of fixed wage payment intervals. This provision aimed to address delays in wage payment and ensure that workers received their wages within a reasonable timeframe. Under this provision, the Bill specified the maximum period within which employers had to pay wages to their workers. The specific interval depends on the industry and work performed. By setting a deadline for wage payment, the Bill aimed to prevent unnecessary delays and ensure timely receipt of wages by workers. Fixing wage payment intervals provided financial stability and security for workers. Regular and timely payment of wages ensured workers could meet their basic needs and helped them plan their expenses and budget effectively. It provided predictability and reduced financial hardships due to irregular or delayed wage payments. The provision on wage payment intervals also contributed to promoting a fair and equitable work environment. By establishing clear guidelines for wage payment timelines, the Bill aimed to prevent worker exploitation and discourage unfair practices by employers. It provided a legal framework that held employers accountable for adhering to wage payment intervals. Moreover, this provision helped workers exercise their rights and seek recourse in case of violations. If employers failed to meet wage payment deadlines, workers could raise grievances and take appropriate legal action to ensure their rights were upheld. By incorporating the provision for fixing wage payment intervals, the Payment of Wages Bill, 1935, aimed to address workers' concerns regarding delayed wage payments. It also established a system that ensured timely and regular wage payment. It aimed to create a more equitable and just working environment, where workers' rights were protected, and their financial well-being was safeguarded.

F. MODE OF PAYMENT:

The Payment of Wages Bill, 1935, specified the permissible modes of wage payment. This provision aimed to establish guidelines for employers while ensuring workers had convenient access to their wages. The bill recognised the need for flexibility in payment methods, taking into account the diverse nature of industries and the preferences of both employers and workers. The following are commonly accepted modes of wage payment outlined in the bill:

- 1. Cash:** The bill allows cash wages to be paid. This traditional mode of payment involves physically handing over wages to the worker in currency notes and coins. Cash payments may be suitable for industries or workers where banking facilities or digital transactions are limited.
- 2. Check:** The bill also permits wage payment through checks. In this mode, employers issue checks payable to the worker, which can be cashed or deposited into a bank account. Check payments provide a record of the transaction and offer security, as workers can avoid carrying substantial amounts of cash.
- 3. Electronic Transfer:** Recognising technological advancements and digital transactions, the bill allowed wage payment through electronic transfer. This method involves the direct deposit of wages into the worker's bank account or any other authorised digital mode, such as a mobile wallet or prepaid card. Electronic transfers offer convenience, efficiency, and security for both employers and workers.

The provision on payment methods aimed to strike a balance between employers and workers' preferences and practical considerations. It allowed employers to choose a suitable payment method based on industry requirements, financial infrastructure, and banking facilities availability. At the same time, it ensured that workers had an accessible and convenient means to receive their wages. This was done by considering factors such as geographical location and personal preferences. By providing a range of permissible modes of payment, the Payment of Wages Bill, 1935, aimed to accommodate different industries and technological advancements. This was done while safeguarding workers' interests. It aimed to promote transparency, efficiency, and ease of wage payment, contributing to a fair and organised system of remuneration for workers.

G. DEDUCTIONS AND FINES:

The Payment of Wages Bill, 1935, included provisions to address unauthorized deductions from workers' wages by employers. It aimed to regulate employers' deductions. This ensured that workers' wages were protected and they received their rightful remuneration. Additionally, the Bill prohibits fines in certain cases, providing further safeguards for workers.

- 1. Authorized Deductions:** The bill established guidelines regarding authorisation of deductions from workers' wages. It specified the types of deductions employers could make, such as contributions to social security schemes, insurance premiums, income tax, and other legally mandated deductions. These deductions were deemed permissible as they served a legitimate purpose and were authorised by relevant laws or agreements.
- 2. Limitations on Deductions:** The bill also limits the amount or percentage of wages employers could deduct. These limitations prevent excessive or unfair deductions that could significantly reduce take-home pay. By imposing restrictions on deductions, the bill aimed to ensure workers received a fair and reasonable portion of their wages.
- 3. Prohibition of Fines:** In certain cases, the bill explicitly prohibited employers from imposing fines on workers. Fines were seen as punitive measures that could be misused or abused by employers, potentially leading to exploitative practices. By prohibiting fines, the bill protected workers from arbitrary deductions that could unfairly reduce their wages.

A balance was struck between employers' rights and workers' responsibilities by the Payment of Wages Bill, 1935, regarding deductions and fines. While accepting legitimate deductions, the bill sought to prevent unauthorised deductions and ensure workers' salaries. By prohibiting fines, it aimed to prevent punitive measures that could be unfair or exploitative. Workers' rights are protected by these provisions, which promote fairness, transparency, and accountability. By doing so, their wages were not unjustly reduced, and they received their remuneration in accordance with their employment contract. The Payment of Wages Bill, 1935, was intended to create a balanced and equitable wage payment system. This was done by protecting workers' interests and taking into account employers' legitimate concerns. This was accomplished by incorporating provisions about deductions and fines.

H. MAINTAINENCE OF WAGE REGISTER:

The Payment of Wages Act, 1935, mandated employers to maintain accurate wage registers. This provision aimed to promote transparency and accountability in wage payment, ensuring that essential details related to workers' wages were recorded and accessible.

1. Purpose of Wage Registers: Wage registers were created to create a systematic record-keeping mechanism for wage-related information. Employers were required to maintain these registers, which served as a comprehensive and reliable source of data pertaining to workers' wages, deductions, and other relevant information.

2. Wage Register Contents: The Bill specified the essential details to be recorded in wage registers. These details typically include the name of the worker, their identification number or code, the period for which wages were being paid, the rate of wages, the number of hours worked, any overtime hours, allowances, deductions, and the net amount paid to the worker. In this way, wage registers provide a comprehensive overview of wage-related transactions.

3. Transparency and Accountability: The provision on maintaining wage registers aims to enhance transparency and accountability in wage payments. By documenting wage-related information, employers maintained a clear and auditable record of wage payments. This facilitates transparency in the payment process, allowing workers to verify their wages and detect discrepancies.

4. Legal Compliance and Dispute Resolution: The existence of accurate wage registers proved legal compliance by employers. In case of disputes or legal proceedings related to wage payments, wage registers could be presented as proof of actual wages paid. This would support fair conflict resolution. Workers could also refer to wage registers to ensure entitlements were properly accounted for.

5. Government Oversight: The provision for wage registers also facilitated government oversight and monitoring. Labor authorities could inspect these registers during inspections or audits to verify compliance with wage payment regulations. By maintaining accurate wage registers, employers demonstrate their commitment to labor laws and regulations.

The provision on wage register maintenance in the Payment of Wages Bill, 1935, aimed to establish a robust system of record-keeping and documentation for wage-related transactions. It promoted transparency, accountability, and compliance with wage payment regulations, benefitting both workers and employers. By maintaining accurate and accessible wage registers, employers ensured fair and timely wage payment. In addition, they provided a reliable record for workers and government authorities to refer to when necessary.

I. ADDITIONAL FEATURES AND PROVISIONS OF PAYMENT OF WAGES ACT 1936:

In addition to the key aspects discussed earlier, there are several other important features and provisions of the Payment of Wages Act, 1936, that contribute to its significance in protecting the rights and welfare of workers in India.

These include:

1. **Clear and Detailed Wage Statements:** The act mandates that employers provide workers with clear and detailed wage statements along with their payments. These statements contain essential information such as the period for which wages are paid, the rate of wages, and the details of deductions made, ensuring transparency and enabling workers to verify the accuracy of their wages.
2. **Prohibition of Delay in Wage Payment:** The act explicitly prohibits any unauthorised deduction from wages or delay in wage payment. Employers are required to make timely wage payments within the prescribed wage periods, ensuring that workers receive their wages promptly and without unnecessary delays.
3. **Protection Against Unlawful Deductions:** The act specifies the types of deductions that employers are allowed to make from workers' wages and sets limits on the amount that can be deducted. It prohibits arbitrary or excessive deductions and ensures that workers' wages are protected from unjustifiable deductions, safeguarding their financial well-being.
4. **Redressal of Grievances:** The act provides a mechanism for workers to seek redressal of their grievances related to wage payment. Workers have the right to approach the appropriate authority, such as labour courts or tribunals, to address any disputes or violations of the act's provisions. This provision empowers workers and helps to resolve conflicts in a fair and just manner.
5. **Penalties for Non-Compliance:** The act includes penalties for non-compliance with its provisions. Employers found guilty of contravening the act can face fines or imprisonment, ensuring that there are consequences for any violations and reinforcing the importance of adhering to the regulations outlined in the act.
6. **Application of the Act to Contract and Piece-Rate Workers:** The act extends its coverage to contract and piece-rate workers, ensuring that they are also protected under its provisions. This inclusion recognizes the diverse nature of employment arrangements and seeks to ensure fair and just treatment for workers engaged in different types of work.
7. **Provision for Inspections:** The act grants labor inspectors the authority to conduct inspections of establishments to ensure compliance with its provisions. Inspections help to monitor and enforce the act's regulations, providing an additional layer of oversight to protect workers' rights.
8. **Non-Discrimination in Wage Payment:** The Payment of Wages Act, 1936, prohibits any discrimination in wage payment based on gender, race, religion, caste, or any other grounds. This provision promotes equal pay for equal work, ensuring that workers receive fair and non-discriminatory wages.
9. **Protection of Wages in Case of Insolvency:** The act includes provisions to protect workers' wages in the event of the employer's insolvency. It ensures that even if the employer faces financial difficulties or goes bankrupt, workers' wages are given priority and are not compromised.
10. **Rights of Legal Heirs:** The act recognizes the rights of legal heirs to receive any unpaid wages owed to a deceased worker. It ensures that the rightful beneficiaries of the worker's wages are not deprived of their entitlement.
11. **Prohibition of Fines in Certain Cases:** The act prohibits the imposition of fines on workers in certain situations. It aims to prevent unfair and arbitrary fines that could lead to exploitation or an unjust reduction of wages.

12. **Legal Protection against Retaliation:** The act provides legal protection to workers against any retaliation or adverse action by the employer for asserting their rights or filing complaints related to wage payment. It safeguards workers from being victimised for seeking recourse under the act.
13. **Power to Make Rules:** The act empowers the appropriate government to make rules and regulations to further implement and enforce the provisions of the act. These rules may include specific guidelines, procedures, and forms to ensure effective compliance with the act's requirements.
14. **Extension of the Act to Other Establishments:** The act allows the government to extend its provisions to other establishments or industries as deemed necessary. This flexibility enables the act's coverage to be expanded to ensure that workers in various sectors are protected by its provisions. These additional aspects of the Payment of Wages Act, 1936, reinforce its objective of providing comprehensive protection and regulation of wage payment. They address specific issues such as discrimination, insolvency, fines, and retaliation, ensuring that workers are safeguarded from various forms of exploitation and unfair treatment. The act's provisions, combined with its enforcement mechanisms and penalties for non-compliance, create a robust framework for the promotion of fair and just wage practices in India.

J. CONCLUSION:

The Payment of Wages Act, 1936, emerged as a significant milestone in the history of labor rights in India. The act addressed the long-standing issues of wage deduction, non-uniform wage payment, and overall mistreatment of workers. Its enactment was the result of extensive research, investigation, and deliberations conducted by the Royal Commission on Labor, which shed light on the harsh realities faced by laborers in British India. The act's scope covered a wide range of industries and workers, providing legal protections and regulations for wage payment. It aimed to establish consistent and timely wage payments, prevent unauthorized deductions, and promote transparency and accountability. The act also introduced the maintenance of wage registers, further enhancing transparency and facilitating dispute resolution. The historical context surrounding the act revealed a gradual shift in societal awareness and recognition of labour rights. The struggles faced by workers, along with the efforts of labour activists and organizations, brought attention to the need for comprehensive legislation to protect workers' rights and welfare. The Payment of Wages Act, 1936, was a significant response to these demands, reflecting a growing commitment to equitable labor practices addressing wage-related issues, the act sought to uplift the status of workers and improve their standard of living. It aimed to prevent exploitation, ensure fair compensation, and provide a mechanism for resolving disputes. The act also laid the foundation for subsequent labour legislation in India, setting a precedent for safeguarding workers' rights and creating a more just and equitable labour system. The Payment of Wages Act, 1936, stands as a testament to the progress made in recognising the rights and dignity of workers in India.

It marked a pivotal moment in labour history, reflecting a broader movement towards social justice and equality. The act continues to serve as a crucial legal framework, protecting the interests of workers and promoting harmonious employer-employee relations. Through its provisions, the act strives to create a fair and sustainable work environment wherein workers receive their rightful wages and are treated with respect and dignity.