

AN ANALYSIS OF THE PAYMENT OF WAGES ACT, 1936

AUTHOR – SHAGUN TIWARI* & MS. ASTHA SRIVASTAVA**, STUDENT* & ASSISTANT PROFESSOR** AT AMITY LAW SCHOOL

BEST CITATION – SHAGUN TIWARI & MS. ASTHA SRIVASTAVA, AN ANALYSIS OF THE PAYMENT OF WAGES ACT, 1936, *INDIAN JOURNAL OF LEGAL REVIEW (IJLR)*, 5 (1) OF 2025, PG. 1021-1029, APIS – 3920 – 0001 & ISSN – 2583-2344.

ABSTRACT

In 1936, the Payment of Wages Act was passed under the British Empire's colonial administration in India. This includes the social, economic, political, and legal elements that contributed to the need for the Act and the legislation itself. Given the poor working conditions that still exist after many years of independence, it is necessary to study the historical perspective in order to understand the background of the Act, the mischief it sought to address, its scope and object, and the deductions made—both authorised and unauthorised in order to help improve its implementation. From the start of the twentieth century, it became clear that worker incomes needed to be protected. There has always been abuse of these labourers, Workers did not get adequate compensation prior to the 1936 amendment, nor did they receive monetary compensation. However, several laws and regulations were implemented to help the workers following the revision of the Payment of Wages Act. Employers were compelled to pay salaries in cash, and employees were controlled to get equal compensation for equal effort. In 1925, a private measure called the weekly payment bill was introduced in the legislature. However, the administration reassured them that the issue was being thought over, therefore the bill was abandoned. In the past, it was typical for employers to penalise workers by taking twice their salary for missed work.

KEYWORDS: monetary compensation, workers, deductions, legislature, penalise

INTRODUCTION:

The Payment of Wages Bill was passed in 1935 in order to address the uneven wage distribution and the challenges that Indian labourers faced in receiving their wages on time. The government took action after mechanical units and their employees demonstrated against the abuse they were subjected to. To learn more about payment delays, the Indian government reached out to its neighbours. The Royal Commission on Labor was then presented with the results. The administration reassessed the situation in February 1933 and presented the Legislative Assembly with the Payment of Wages Bill, 1933. The commission's recommendations served as the basis for this. During the discussion and debate, a range of stakeholders shared their thoughts on the measure. 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. On September 2, 1935, the amended measure was examined by an ad hoc select committee. The legislature was shown the committee's report, which took into account the opinions and recommendations of its members. The Legislative Assembly revived the 1935 Payment of Wages Bill. The government's attempts to resolve wage payment concerns in Indian industry were reflected in the Payment of Wages Bill, 1935. The government sought to guarantee that workers received their salaries on schedule by passing this legislation. Additionally, it sought to guarantee equity and consistency in the allocation of wages among

different industries. Additional talks and deliberations took place following the Legislative Assembly's reintroduction of the Payment of Wages Bill, 1935. To determine how well the measure addressed workers' concerns about wage payments, it was examined and amended.

Throughout the legislative process, the elements of the law were carefully considered and discussed. Finding a balance between safeguarding the rights of employees and making sure companies complied with the law was the aim. The purpose of the 1935 Payment of Wages Bill was to create a legislative framework for paying employees in a variety of businesses their wages on time. It aimed to control payment schedules, procedures, and other associated elements in order to guarantee equity and openness in the allocation of wages. The main features of the bill that are discussed in this article are as follows

SCOPE AND OBJECTIVE OF THE ACT

In India, the Payment of Wages Act sets salaries for specific worker groups. By safeguarding workers' rights and averting any abuses, it offers a legal framework to guarantee that workers receive their payments on time and correctly. Employees working in the commercial, industrial, and agricultural sectors are among the many workers covered by the Act. It also includes employees of industries, mines, railroads, and plantations. Because the Act is applicable to both organised and unorganised sectors, its provisions guarantee protection for workers in a variety of businesses.

The Payment of Wages Act's main goals are as follows:

1. **Regular and Timely salary Payment:** The Act seeks to create a framework that guarantees workers timely and regular salary payments. It highlights how crucial regular wage intervals and defined wage durations are. It establishes rules to ensure that workers receive their pay on time and to avoid delays.

2. **Regulation of Wage Payment processes:** Employers are required to adhere to certain rules and processes while paying salaries, as outlined in the Act. It describes the proper method for determining pay. It also describes the payment methods and the documentation that employers must keep in order to guarantee accountability and transparency.

3. **Prohibition of Unauthorised Deductions:** By outlawing certain deductions or capping the amount taken out, the Act tackles the problem of unapproved deductions from employees' pay. Its aims to protect workers from exploitation and ensure they receive their full and rightful wages.

4. **Prevention of pay Abuse:** By offering legal protections, the Act seeks to stop pay abuse and labor exploitation. It creates sanctions and enforcement tools to discourage businesses from unfair labor practices and illegal wage withholding.

5. **Dispute Resolution:** The Act also offers procedures for resolving wage-related conflicts between employees and employers. It creates the power for labor courts or tribunals to decide cases. It gives employees a way to file a complaint if their wages are not paid or are paid insufficiently. The Payment of Wages Act aims to safeguard workers' rights and welfare by guaranteeing equitable and prompt salary payment by addressing these goals.

THE HISTORICAL VIEW:

In the historical background, wage deduction and uneven wage payment gained prominence in India in the early 1900s. Before then, workers' rights and concerns were frequently disregarded since they were members of the oppressed class and were subjected to unequal treatment and exploitation across a range of sectors. To solve the problems of wage deduction and uneven wage payment, a private bill known as the Weekly Payment Bill was presented to the Legislative Assembly in 1925. The administration, however, refused to approve the bill, claiming that the issue was

already being discussed. The Government of India then started working with state or provincial administrations in 1926 to collect data and conduct research on the issues that workers were facing with regard to wage deductions and irregular salary payments. The information gathered demonstrated the seriousness of the problems, showing that employers were unilaterally deducting money from employees' pay-checks and not paying them on time or consistently, which caused the workers to suffer greatly. The Royal Commission on Labor, which was founded in 1929 and chaired by John Henry Whitley, was given with the information that the Government of India had gathered from the province administrations. The commission's aim was to look into and document the working conditions that were prevalent in British India's plantations and industrial projects.

The committee looked at issues such workers' efficiency and well-being, their quality of life, and the interactions between employers and employees. The information gathered demonstrated how serious the problems were, showing that employers were unilaterally deducting earnings and not paying employees on schedule or consistently, which caused them to suffer greatly. John Henry Whitley chaired the Royal Commission on Labour, which was constituted in 1929 and heard the information gathered by the Government of India from the province administrations. Investigating and reporting on the working conditions in British India's plantations and industrial enterprises was the commission's main goal. The level of life, employer-employee relations, and worker efficiency and health were among the topics the commission looked into. Another part of the commission's role was to offer suggestions for resolving the concerns found and enhancing working conditions.

This information-gathering and labor-conditions investigation procedure prepared the way for the eventual recognition of the necessity of comprehensive legislation to address issues connected to wages. It prepared

the way for the Payment of Wages Bill to be proposed in 1933. The Payment of Wages Bill was then refined and reintroduced in 1935, ending with the Payment of Wages Act being passed in 1936. In addition to protecting workers' rights and addressing labourers complaints about wage deductions and irregular payment practices, the Act sought to provide legislative procedures to control wage payment. Under the leadership of John Henry Whitley, the Royal Commission on Labour made a substantial contribution to the examination and analysis of the working conditions that were prevalent in British India. Understanding the problems workers faced, such as wage deductions, irregular payments, and the general status of labor welfare, was made possible thanks in large part to the commission's conclusions. The panel developed suggestions to address these labor challenges as a result of its thorough investigation and discussions. The Payment of Wages Bill and several later legislative initiatives were based on these proposals. After undergoing many changes, the Payment of Wages Bill was presented in the Legislative Assembly in 1935 after being first proposed in 1933.

The select committee entrusted with assessing the previous version of the law provided thoughts and comments that were incorporated into the amended version. With an emphasis on making sure that workers receive their salaries on time, consistently, and fairly, the measure sought to provide a complete legal framework for wage payment. By controlling allowable deductions and establishing caps to discourage exploitation, it allayed worries about wage deductions. Additionally, the bill introduced provisions for fixed wage periods, which mandated that workers should receive their wages within specified intervals. Numerous parties, including labor organisations and progressive voices calling for better worker rights, overwhelmingly supported the law. The Payment of Wages Bill was eventually approved, and in 1936 it became the Payment of Wages Act. The act was a significant piece of

legislation in Indian labor rights history that created wage payment laws and gave workers legal protections. A greater understanding of the need to safeguard the rights and welfare of workers was demonstrated by the actions taken by the Indian government, the Royal Commission on Labour, and the establishment and enactment of the Payment of Wages Act. The goal of these initiatives was to right historical wrongs and establish a more fair and just labor system in India.

NEW AMENDMENTS ADDED IN THE MODERN ERA

The Payment of Wages Act has undergone several amendments to address the demands of modern workers, which must be understood in order to fully grasp the act's contemporary relevance. This law may no longer be applicable to the current generation in its true sense because it was drafted so long ago. When The Payment of Wages (Amendment) Bill, 2017 was created, significant changes to the 1936 statute were made. The Lok Sabha was presented with this measure by the Minister of Labor and Employment.

The most significant modification brought about by the new statute is that employers no longer need to get written approval before paying wages; instead, they can do it by check or 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. Only after getting their consent, though. The technology has changed and progressed since the 1936 statute was put into place.

The majority of workers now have bank accounts. The government has encouraged everyone, regardless of wealth, to get a bank account. About 80 percent of the workers and labourers have a bank account. As a result, both businesses and workers may now easily send payments via check or bank account. Employee complaints over insufficient and delayed salary payments will decline as a result of this action. The government has made it clear that cheques or electronic transfers are the only ways that industrial and other firms covered by the legislation may be paid, this will advance the objective of the digital economy. Many state laws, including those of Punjab, Haryana, Kerala, and Andhra Pradesh, have already undergone the changes. The Central Government has instituted the vital policy of enhancing the significance of electronic transactions through this amendment. In the present day, implementing such a method would be advantageous as it will surely expedite the salary payment procedure while also making it simpler to maintain the records for wage payment.

SETTING THE INTERVAL FOR WAGE PAYMENT:

The Payment of Wages Bill, 1935, established regular wage payment intervals as one of its main components. In order to guarantee that workers got their pay-checks in a fair amount of time, this clause attempted to solve wage payment delays. The Bill outlined the maximum amount of time that companies were required to pay their employees' salaries under this clause. The industry and type of labor determine the precise interval. The Bill sought to avoid needless delays and guarantee that workers received their payments on time by establishing a deadline for wage payment.

Establishing wage payment schedules gave employees security and financial stability. Wages paid on a regular and timely basis allowed employees to successfully organise their budgets and satisfy their fundamental necessities. It eased financial troubles brought on by erratic or delayed wage payments and offered consistency.

The clause pertaining to salary payment intervals also helped to foster a just and equal workplace. The Bill sought to deter unfair company practices and combat worker exploitation by laying forth precise rules for salary payment schedules. It offered a structure for the law that made businesses answerable for paying wages on time. Additionally, this clause made it easier for employees to assert their rights and pursue redress when they were violated. Employees might file complaints and take necessary legal action to guarantee their rights were respected if employers did not pay wages on time. The Payment of Wages Bill, 1935 sought to address workers' concerns about wage payments by including a provision for setting wage payment intervals. It aimed to create a more equitable and just working environment, where workers' rights were protected, and their financial well-being was safeguarded.

PAYMENT MODE

The acceptable methods of paying wages were outlined in the 1935 Payment of Wages Bill. This clause sought to provide employers rules while guaranteeing that employees could easily obtain their pay. Given the variety of businesses and the interests of both employers and employees, the bill acknowledged the necessity for flexible payment options. The bill lists the following as widely recognised methods of paying wages

1. Cash: The law permits the payment of cash salaries. In this conventional method of payment, salaries are physically given to the employee in the form of coins and banknotes. For workers or sectors with limited access to

digital transactions or banking services, cash payments may be appropriate.

2. Cheques : The bill also allows cheque to be used to pay wages. Employers issue cheques payable to employees in this form, which they may cash or deposit into a bank account. Because employees may avoid carrying large sums of cash, cheque payments give security and a record of the transaction

3 .Electronic Transfer: The measure permitted salary payment by electronic transfer in recognition of digital transactions and technical improvements. With this approach, earnings are directly deposited into the employee's bank account or any other approved digital channel, such a prepaid card or mobile wallet. Employers and employees may benefit from the ease, effectiveness, and security that electronic transfers provide

The payment method clause sought to reconcile the practical issues and desires of both employers and employees. Based on the needs of the sector, the availability of banking facilities, and the financial infrastructure, it enabled employers to select an appropriate payment method. Additionally, it made sure that employees had a simple and easy way to be paid. This was accomplished by taking into account elements like geography and individual preferences. The Payment of Wages Bill, 1935, sought to accommodate various businesses and technological improvements by offering a variety of acceptable payment methods. The interests of the workers were protected throughout the process. In order to support a just and well-organized system of worker compensation, it sought to advance wage payment's efficiency, transparency, and convenience

DEDUCTIONS AND FINES:

Provisions to counteract employers' unlawful pay deductions were added in the Payment of Wages Bill, 1935. Its goal was to control the deductions made by employers. This made sure that workers got paid what they were entitled to

and that their earnings were safeguarded. The Bill also protects workers by outlawing penalties in some circumstances.

1. Authorised Deductions: Guidelines for the authorisation of deductions from employees' earnings were set by the bill. It outlined the kinds of deductions that employers were permitted to take, including income tax, insurance premiums, social security contributions, and other legally required deductions. Since these deductions had a valid reason and were approved by the applicable laws or agreements, they were considered acceptable.

2. Restrictions on Deductions: The measure also places restrictions on the percentage or total amount of wages that employers are permitted to 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: The measure specifically forbade companies from fining employees in a number of situations. Fines were viewed as punitive measures that employers can abuse and misuse, which could result in exploitative activities. The bill shielded employees from capricious deductions that would unjustly lower their pay by outlawing fines.

The Payment of Wages Bill, 1935, established a balance between the rights of employers and the obligations of workers with relation to deductions and penalties. While acknowledging valid deductions, the measure aimed to guarantee workers' wages and stop unauthorised deductions. By outlawing penalties, it sought to curb potentially exploitative or unjust punitive actions. These clauses, which support equity, accountability, and openness, safeguard workers' rights. They got their compensation in line with their employment contract and their earnings were

not unfairly decreased as a result. A fair and balanced wage payment system was to be established under the Payment of Wages Bill, 1935. By defending the rights of employees and considering the justifiable worries of employers, this was accomplished. This was achieved by the inclusion of clauses pertaining to deductions and penalties¹⁸⁸⁴

WAGE REGISTER MAINTENANCE:

Employers were required to keep accurate wage registers by the Payment of Wages Act of 1935. By making sure that crucial information about employees' earnings was documented and available, this clause sought to encourage accountability and transparency in salary payment.

1. Wage Registers' Objective: Wage registers were established to establish a methodical procedure for recording information pertaining to wages. These registers, which were mandatory for employers to keep, provided a thorough and trustworthy source of information on employees' pay, deductions, and other pertinent data

2. Contents of Wage Registers: The Bill outlined the necessary information to be entered in wage registers. Typically, these parameters consist of the worker's name, identification number or code, the time period for which earnings were received, the salary rate, 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: Improving transparency and accountability in salary payments is the goal of the provision pertaining to wage record maintenance. Employers kept a transparent and auditable record of compensation payments by recording wage-related data. This makes the payment process more transparent and

¹⁸⁸⁴ <https://www.egyankosh.ac.in/bitstream/123456789/6940/1/Unit-20.pdf>

enables employees to check their compensation and identify any inconsistencies

4. Legal Adherence and Conflict Settlement: Employers' adherence to the law was demonstrated by the presence of accurate wage records. Wage registers might be used as documentation of real salaries paid in the event of wage payment disputes or legal actions. Fair dispute resolution would be supported by this. To make sure entitlements were appropriately recorded, workers might also consult salary records.

5. Government Oversight: The establishment of wage records made it easier for the government to keep an eye on things. 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.

A strong system of record-keeping and documentation for wage-related transactions was intended to be established by the Payment of Wages Bill, 1935's provision on wage register maintenance. Both companies and employees benefited as it encouraged responsibility, openness, and adherence to wage payment laws. Employers guaranteed equitable and prompt wage payment by keeping up-to-date and easily accessible wage registers. They also offered a trustworthy record that government officials and employees could consult as needed.

LANDMARK CASES:

Here are some landmark cases related to the Payment of Wages Act, 1936, which have shaped its interpretation and application:

1. Bombay Dyeing & Manufacturing Co. Ltd. v. R.A. Bidoo & Anr. (1958)

¹⁸⁸⁵Issue: Whether certain allowances and bonuses fall under "wages" as per the

Act.Judgment: The court held that wages include all remuneration that an employee earns, including dearness allowance, but not necessarily discretionary bonuses unless contractually obligated.

2. Bidi, Bidi Leaves and Tobacco Merchants Association v. State of Bombay (1962)¹⁸⁸⁶

Issue: Challenge to the constitutional validity of the Act's provisions on wage deductions.Judgment: The Supreme Court upheld the Act's provisions, stating that they protect workers from unjustified wage deductions and delays, aligning with Article 14 (Right to Equality) and Article 21 (Right to Life) of the Constitution.

3. Muir Mills Co. Ltd. v. Suti Mills Mazdoor Union (1955)¹⁸⁸⁷

Issue: Whether payment for overtime work should be included in "wages."Judgment: The Supreme Court ruled that payments made for overtime work are considered wages under the Act and should be disbursed within the prescribed time limits.

4. Remington Rand of India Ltd. v. The Workmen (1968)¹⁸⁸⁸

Issue: Whether bonus and other additional payments are covered under "wages."Judgment: The court clarified that only legally enforceable payments, such as contractual bonuses, are included under wages, whereas discretionary bonuses do not fall under the Act.

5. Kesoram Cotton Mills Ltd. v. Gangadhar & Ors. (1963)¹⁸⁸⁹

Issue: Whether delayed wage payments beyond the prescribed time limit would attract penalties.Judgment: The court upheld penalties

¹⁸⁸⁵ <https://www.casemine.com/commentary/in/defining-employee-in-the-bombay-industrial-relations-act:insights-from-bombay-dyeing-v.-r.a-bidoo/view>

¹⁸⁸⁶ <https://www.desikanoon.co.in/2016/07/doctrine-of-implied-powers-casus-omissus-tobacco-merchants-bidistate-bombay-interpretation.html?m=1>

¹⁸⁸⁷ (1962)III.L.J715ALL.

¹⁸⁸⁸ <https://www.lawfinderlive.com/archivesc/265986.htm>

¹⁸⁸⁹ <https://lawfyi.io/tag/kesoram-cotton-mills-ltd-vs-gangadhar-and-ors/>

for delayed wage payments, emphasizing that employers must comply with statutory timelines.

OTHER ASPECTS AND TERMS OF THE PAYMENT OF WAGES ACT OF 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:

Detailed and Unambiguous salary Statements: The legislation requires companies to give employees detailed and unambiguous salary statements in addition to their paychecks. These statements provide openness and give employees the ability to confirm the correctness of their pay by include crucial information including the time period for which wages are received, the rate of earnings, and the specifics of deductions made.

Prohibition of Wage Payment Delays: The statute expressly forbids any unauthorized wage deductions or wage payment delays. In order to guarantee that workers receive their salaries on time and without needless delays, employers must make timely wage payments within the designated wage periods

Protection Against Illegal Deductions: The statute outlines the kinds of pay deductions that employers are permitted to make. It prohibits arbitrary or excessive deductions and ensures that workers' wages are protected from unjustifiable deductions, safeguarding their financial wellbeing

Grievances Redressed: The statute gives employees a way to file complaints about how their wages are being paid. Employees have the right to take any disagreements or infractions of the act's requirements to the proper authorities, such as labor courts or tribunals. Employees are empowered by this clause, which also aids in the equitable and just resolution of disputes.

Fines for Non-Compliance: Failure to abide by the act's terms might result in fines. In order to ensure that there are repercussions for any infractions and to emphasize the significance of following the rules set forth in the act, employers who are found guilty of violating it may be subject to penalties or even jail

How the Act Applies to Contract and Piece-Rate Employees: 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.

Provision for Inspections: To make sure that its requirements are being followed, the act gives labor inspectors the power to inspect businesses. Inspections offer another level of inspection to safeguard workers' rights by monitoring and enforcing the act's rules

Non-Discrimination in Wage Payment: Discrimination in wage payment on the basis of caste, gender, ethnicity, religion, or any other basis is forbidden under the Payment of Wages Act, 1936. This clause guarantees that workers get fair and nondiscriminatory compensation by promoting equal pay for equal labor

Protection of Wages in the Event of Insolvency: The legislation contains clauses that safeguard employees' earnings in the event that their employer becomes insolvent. It guarantees that workers' pay be paid first, even in the event that the firm experiences financial difficulties or declares bankruptcy

CONCLUSION:

In the history of labor rights in India, the Payment of Wages Act, 1936, became a landmark. The measure addressed the long-standing problems of wage deduction, uneven wage distribution, and general worker abuse. After much study, analysis, and discussion by the Royal Commission on Labor, which illuminated the severe conditions faced by workers in British India, it was finally enacted.

The act's scope encompassed a broad spectrum of people and businesses, including laws and legal safeguards for wage payment. Establishing regular and on-time salary payments, eliminating unlawful deductions, and fostering accountability and openness were its main objectives. Additionally, the statute established wage register maintenance, which improved openness and made dispute settlement easier. 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.

A major answer to these demands was the Payment of Wages Act of 1936, which addressed wage-related concerns and aimed to enhance workers' position and standard of living. It also demonstrated a growing commitment to equitable labor standards. It sought to stop exploitation, provide just compensation, and offer a dispute resolution process. Additionally, the act established a precedent for protecting workers' rights and establishing a more fair and reasonable labor system, laying the groundwork for later labor laws in India. One example of the advancements achieved in acknowledging the rights and dignity of Indian workers is the Payment of Wages Act, 1936. It was a turning point in the history of labor and reflected a larger push for equality and social justice. The act remains an essential legal framework that safeguards workers' interests and fosters positive employer-employee interactions. The act's provisions aim to establish a sustainable and equitable workplace where employees are treated with dignity and get their due compensation.