

# A Study On The Deduction of Wages Under payment of Wages Act 1936

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## Abstract

Various labour welfare legislations have been enacted to protect the rights of employees and prevent them from any injustice or unfairness done by their employers. The Payment of Wages Act 1936 was enacted to ensure timely payment of wages and to prevent unauthorised deductions thereof by the employers. The provisions of this Act are applicable to those individuals who employed in factories, railways and any other establishments which the Central or State Government may specify in this regard. Hence this paper explains the scope of PoW and authorised deductions applicable for the employee under the Payment of Wages Act, 1936

**Keywords:** Wages, PoW, deductions, employer, employee.

## Introduction

Our Constitution enjoins on the Government to endeavour to secure of work ensuring a decent standard of life and full enjoyment of leisure, social and cultural opportunities. Minimum Wages Act, 1948 was passed to provide fixing minimum wages in certain employments and provisions of the Act are intended to achieve the object of doing social justice to the workers employed in schedule employment by prescribing minimum rates of wages for them. Along with above mentioned Act, there is the Payment of Wages Act, 1936 which guarantees payment of wages on time and without any deductions except those authorised under the Act. The main objective of this act is to avoid unnecessary delay in the payment of wages and to prevent unauthorised deduction from wages so the employer cannot deduct the wages as per his wishes. The Payment of Wages Act regulates the payment of wages to certain classes of persons employed in industry and its importance cannot be under-estimated. The Act provides for the responsibility for payment of wages, fixation of wage period, time and mode of payment of wages, permissible deduction etc .if any malpractices or injustice done by the employer to his employee, there will be a separate officer appointed by the appropriate government to hear and decide all claims out of deduction from wages, delay in the payment of wages and such an employer shall be punishable for the offence under sec 20(1) of this Act.

## ..Objectives of the study

- To study the scope and object of payment of wages Act 1936
- To study the authorized deduction which may made from wages under section 7 of the payment of wages Act.1936

## I. Scope and Object of Payment of Wages Act, 1936

The Payment of Wages bill, 1935 was passed by the Legislative Assembly and the Act came into force on 23rd April 1936 during the time of the colonial government with the object to prevent the irregular payment of wages and to keep in check the unlawful deductions for certain classes of employment.. The payment of wages act has define the term wages as the remuneration which has been made to the employees in accordance with the terms and condition of his employments and which includes dearness allowance but does not include any bonus, commission, house rent allowance ,travelling allowance, overtime wages ,gratuity etc. This act regulates the payment of wages act by following an approach. This first one is the date when the wages are paid, the second one being to check whether the specified deduction from the wages is fine or not. Section 1(4) of the Act has mentioned that the payment of wages will be applicable to any person who has been employed in a factory, any person who has been employed by the Railway Administration or either directly or through the sub-contractor or any person who has been employed in industrial and other establishments. The state government has the power that after giving a three months notice in the Official Gazette of India can extend the provisions of the act to any class of person employed (Section 1(d)). Section 3 has made it mandatory for all the employers to take the responsibility of the payment of the required wages as provided under the act to all the above-mentioned employees. However, if any of the employers infringe any of Section 5 and section 7 of the act which speaks about the timely payment of wages in current coins and currency then in such case penalty could be imposed on the employer which should not be less than 1000 Rupees but which can extend to 5,000 Rupees.

## Research Methodology

This study has been done on the basis of secondary data only. The secondary data are collected through Research papers, articles, journals, websites, books etc.

## II. Deduction which may be made from wages

At the time of payment of the salary to workers, the business enterprises should make deductions in step with this act simplest. The employer should no longer make deductions as per his wishes.. Every amount paid by the employee to his enterprise is referred to as deductions.

### Deductions acceptable under the PoW Act, 1936

The Payment of Wages Act, 1936 was enacted with an aim to regulate the timely payment of wages. The act is intended to be a remedy against unauthorised deductions made by the employer and unjustified delay in payment of wages. Any payment made by the employees to his employer shall be deemed a deduction under this payment and wages act.

#### Authorised Deductions

The following are the authorised deduction under section 7 of the provision of Payment of wages act :

##### ➤ Fines [Sec 8]

Section 8 speaks about the rules and regulation governing fines under the act. Fine ought to be forced by the employer on worker with the endorsement of the state government or recommended authority. The employer ought to observe the guidelines referenced underneath for and before forcing of fine on the worker.

#### Rules for Imposing Fines

Any employer can impose fine on the employee, which is an authorised deduction but before imposing any fines on the employee the employers has certain obligation and they need to taken into consideration the following things which are explained below:

- The employer can impose fines that are given in the list of acts and omissions made by them, which must identify acts and omissions from within the list already approved by the state government or the appropriate authorised authority for the entire industry.
- Notice regarding the employer's list of acts and omissions owing to which fine can be imposed on the employees should be displayed in the conspicuous part of the work premises.
- According to this act, no fines should be imposed on the employee until he/she has been provided with an opportunity of showing cause against the fine
- The total amount of fines imposed should not exceed three per cent of the employee's wages.
- No fine should be imposed on any employee below the age of 15 years.
- The fine imposed on any employee will not be recovered from him through instalments.
- The fine will not be recovered from the employee after the expiry from the date on which it was imposed.
- All fines need to be recorded in the register maintained by the individual responsible for fixation of wages.
- Fines should be credited to the common funds and to be utilised for the benefit of the employees

##### ➤ Rules for Deduction of Wages for Absence [Sec 9]

Any employers can deduct wages for absence from duty, which is an authorised deduction. The obligations of the employer deducting wages from employees are explained below:

- The employer can deduct some wages for the absence in the same proportions as the employee absence bears to the total time he/she was obliged to do the work.
- If ten or more workers, acting in concert, absent themselves without giving notice to the employer or without any reasonable cause, then the employer cannot make deductions more than an amount exceeding wages of 8 days.
- If the employee absence is for the period between employee's dismissal and reinstatement, then such absence cannot be deducted by the employer
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#### Case Law

Anant Ram v. District Magistrate, Jodhpur(AIR 1956 Raj 145)- It was held in this case that the absence of work must be voluntary .Hence no deduction can be made under section 7, clause (2), when the absence from the duty is for the period between employee's dismissal and reinstatement as such absence cannot be said to be voluntary.

##### ➤ Deductions for damages or loss [Sec 10]

The employer should give an opportunity to the employee to clarify the explanation and cause for the harm occurred and deductions made by an employer from the worker compensation ought not to surpass the worth or measure of harm made by the employee.[Sec 10 (2)] All such deductions and all realisations will be recorded in a register to be kept by the person who is responsible for the payment of wages under section 3 in such structure as may be prescribed

#### Case Law

M/S Rampur Engineering Co. Ltd v. City Magistrate (AIR 1966 All 544) - It was observed by Allahabad High Court that the deduction for loss of electric bulbs and tools that were given to the employees for their own personal use is a valid deduction.

##### ➤ Deductions for services rendered [Sec 11]

House-convenience courtesy or administration given by the employer need to be acknowledged or accepted by the worker, than just the employer can make a deduction from the wage or salary of the employee. Deduction shall not exceed an amount equivalent to the value of the house accommodation or service supplied.

Deductions for house-accommodation supplied by the employer or by Government or any housing board set up under any law for the time being in force or any other authority engaged in the business of subsidising house-accommodation which may be specified in this behalf by the State Government by notification in the Official Gazette.

➤ **Deductions for recovery of advances [Sec 12]**

If there should be an occurrence of the advance paid to the workers by the employer before business started, such advance need to be recovered by the employer from the principal payment of the wages to the employee. In any case, the employer ought not to recuperate the advances given for the travelling expenses for the worker.

**Deductions for recovery of loans [Sec 12A]**

Deductions for recovery of loans granted for house-building or other purposes shall be subject to any rules made by the State Government regulating the extent to which such loans may be granted and the rate of interest payable thereon.

**Deductions for payment to co-operative societies and insurance schemes [Sec 13]**

Reasoning's for payments to co-operative societies or deductions for payments to insurance schemes kept up by the Indian Post Office or with worker acknowledgement deductions made for payment of any premium on his extra security strategy to the Life Insurance Corporation will be dependent upon such conditions as the State Government may force.

**Maintenance of Registers and Records. [Sec 13A]**

Every employer should maintain such registers and records giving such particulars of persons appointed by him, the work performed by them, the wages paid to them, the deductions made from their wages, the receipts given by them and all other particulars related to such form as may be prescribed. They should required to maintain every register and record and should preserved for a period of three years after the date of the last record made therein.

**Conclusion**

In recent time, the Payment of Wages Act has developed appropriate provisions for facilitating smooth functioning and the payment of wages to the workers. The act has laid down various rules and regulations which not only protect the employee's rights from being infringed by the employer but also for the betterment and efficient functioning of the industries. The code enables the workers to work freely without any stress with respect to delay of wages and unauthorized deductions. This Act has indeed paved a way out for the employees to work with dignity and proper mechanism has been laid down for the same.

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