

# E-Compliance in Wage Laws: Licensing, Registration and Regulation

The landscape of employment in India is rapidly evolving. Digital systems, formal employment opportunities, and new regulatory reforms are altering the dynamics between businesses and their workers. Central to these changes is the Law of Wages, which addresses a crucial aspect of worker welfare—ensuring timely, fair, and equal pay for all employees. In this context, the article examines four significant wage laws—the Payment of Wages Act, 1936; the Minimum Wages Act, 1948; the Payment of Bonus Act, 1965; and the Equal Remuneration Act, 1976. It outlines their essential provisions, notable case law, compliance requirements such as policy formulation and display obligations, along with ways to incorporate these regulations in the era of digital governance.



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## INTRODUCTION

**T**he world of work in India is changing very fast. Digital systems, formal jobs, and new compliance reforms are reshaping how businesses and workers interact. At the heart of these reforms lies the Law of Wages, which deals with one of the most important aspects of labour welfare—making sure that workers are paid fairly, equally, and on time.

In the past, labour laws in India, were spread across many small Acts. Employers had to take several licenses, file multiple returns, and maintain heavy registers. The implementation of online licensing and registration, e-returns, and computer-based inspections brought more transparency and reduced unnecessary interference. Launched in 2014, the unified Shram Suvidha Portal was a turning point, allowing businesses to file one common return and get inspection reports online. With the introduction of the Code on Wages, 2019, the traditional “inspector” has been replaced with an Inspector-cum-Facilitator, who is expected to guide as well as enforce the law.

In view of the above background, this article looks at four important wage laws—the Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; and Equal Remuneration Act, 1976. It explains their key provisions, important case laws, compliance requirements

like policy framing and display obligations, and how these can be implemented in the age of digital governance.

## EVOLUTION OF LABOUR LAW COMPLIANCE AND E-LICENSING

### • From Manual to Digital

Traditionally, compliance under wage-related labour laws in India was heavily manual and fragmented. Employers were required to maintain multiple registers such as wage registers, attendance records, overtime registers, and deduction registers, all in prescribed formats. Returns had to be filed in paper form with different authorities at the state and central levels, which often led to duplication of information and lack of coordination. Inspections were conducted physically by labour officers, and in many cases, the process was subjective.

Recognizing these challenges, the Government of India initiated a series of reforms. The Shram Suvidha Portal, launched in 2014, marked a major step toward ‘Ease of Doing Business’. It introduced a unified Labour Identification Number (LIN), which allowed employers to file a single, consolidated online return instead of multiple paper-based submissions. This shift from manual compliance to digital governance represents the end of Inspector Raj and the beginning of a more transparent, predictable, and business-friendly system.

### • Key initiatives:

- ♦ Shram Suvidha Portal – Unified online return, digital inspection system.
- ♦ EPFO / ESIC – Online registration for employees.
- ♦ **State Labour Departments:** e-sign wage registers, e-filing annual returns.
- ♦ **e-Licensing:** Factories, Contract Labour, Shops & Establishments.

**Impact:** A shift from “*paper compliance*” to *technology-enabled monitoring*.

## THE PAYMENT OF WAGES ACT, 1936

### • Objective

The Payment of Wages Act, 1936 was one of the earliest labour legislations in India, enacted during the colonial period to protect industrial workers from arbitrary wage practices. This Act was introduced to ensure that wages were paid on time and in full, safeguarding employees who were most vulnerable due to their lower earning capacity and lack of bargaining power. Over the decades, this Act underwent several amendments, gradually expanding its coverage from workers earning less than Rs. 200 per month in 1936 to Rs. 24,000 per month in later years, reflecting inflation and changing wage structures. This evolution shows how the law adapted to meet the realities of India's growing industrial economy and the rising need for formal protection in employment.

### • Key Provisions

- **Section 3:** Employer's responsibility to pay wages without delay and prohibit unauthorized deductions.
- **Section 4–6:** Mandate wage periods and timelines, requiring payment before the 7<sup>th</sup> or 10<sup>th</sup> day of the following month, depending on the size of the establishment.
- **Section 7:** Specifies permissible deductions, such as provident fund contributions, fines, absence from duty, or recovery of advances, thus creating a balance between employer rights and employee protection.
- **Section 15:** Provides workers with a remedy through the Labour Commissioner or designated authority, ensuring quick resolution.

The digitization of wage law compliance for employers, translates into the need for structured internal policies—covering wage payment, minimum wages, bonuses, and gender-neutral pay—along with digital filings, e-licensing, and mandatory displays in both physical and electronic formats.

### • Judicial Interpretation

- **A.V. D'Costa v. B.C. Patel (1955):** The Apex Court of India held that any deduction from wages not specifically permitted under the Act is illegal, reinforcing strict protection of employees' earnings.
- **Glaxo Laboratories v. Labour Court (1984):** The Apex Court of India ruled that employers cannot make excess recovery or adjustments unilaterally; due process under the Act must be followed.
- **Payment of Wages Inspector v. B.E.S.T. Undertaking (1969):** It was clarified that the term "wages" includes overtime and allowances, ensuring comprehensive coverage of employee entitlements.

### • E-Compliance & Policy Implications

- **E-Payroll Implementation:** Wages must be paid through bank transfer or electronic modes, ensuring higher transparency, reduced cash handling, and easy audit trails.
- **Policy Requirement:** Organizations should frame a clear *Wage Disbursement Policy* specifying timelines for salary payments, permissible deductions, and mechanisms for employees to raise and resolve grievances.
- **Display Requirement:** Employers must display a concise abstract of the Act and notify wage periods, which can now be done via digital notice boards, company intranet, or employee self-service portals.

**Example:** An IT company in Noida adopted digital payslips along with an online grievance redressal portal, resulting in a 40% reduction in wage-related disputes within one year.

## THE MINIMUM WAGES ACT, 1948

The Minimum Wages Act, 1948 was enacted to ensure that workers in scheduled employments receive a fair and basic standard of living through statutory wage protection. It safeguards vulnerable sections of the workforce from being underpaid and establishes a legal floor below which wages cannot fall.

- **Objective:** The Act aims to prevent exploitation by fixing minimum wages in scheduled employments, ensuring that no worker is paid less than what the law prescribes.

### • Key Provisions:

- **Section 3:** Empowers the Central and State Governments to fix and revise minimum wage rates for different industries, employments, and skill categories.
- **Section 12:** Prohibits payment of wages below the statutory minimum, regardless of contractual agreements.
- **Section 14:** Requires overtime wages to be paid at *twice the ordinary rate*.
- **Section 18:** Makes it mandatory for employers to maintain wage registers and provide wage slips to employees.

### • Judicial Interpretation:

- **U Unichoyi and others v. State of Kerala (1961):** The Apex Court of India held that the employer's capacity to pay is irrelevant; statutory wages must be paid regardless of financial condition.
- **Hydro (Engineers) Pvt. Ltd. v. Workmen (1969):** The Apex Court of India held that Minimum wages

are non-negotiable and cannot be waived by any agreement.

- ♦ **PUDR v. Union of India (1982):** The Apex Court of India declared that paying workers less than minimum wages amounts to *forced labour*, violating Article 23 of the Constitution.
- **E-Compliance & Policy Implications:**
  - ♦ **E-Gazette Notifications:** Governments now issue revised wage rates online, enabling real-time updates.
  - ♦ **Policy Requirement:** Organizations should adopt a *Minimum Wage Compliance Policy* backed by quarterly audits to ensure wage payments match government notifications.
  - ♦ **Display Requirement:** Updated minimum wage rates must be displayed in the workplace and digitally (intranet/employee portal), preferably in the local language for worker awareness.

## THE PAYMENT OF BONUS ACT, 1965

### • Objective

The Payment of Bonus Act, 1965 ensures that employees share in the prosperity of the organization by granting them a statutory right to bonus. It aims to promote social justice by linking the benefit of profits to the workforce, particularly those in the lower and middle-income brackets.

### • Key Provisions

- ♦ **Applicability:** Applies to establishments employing 20 or more persons.
- ♦ **Eligibility:** Employees drawing wages up to Rs.21,000 per month are entitled.
- ♦ **Section 10:** Minimum bonus of 8.33% of salary/wages.
- ♦ **Section 11:** Maximum bonus capped at 20% of salary/wages.
- ♦ **Section 15:** Introduces the “set-on” and “set-off” mechanism, allowing adjustment of bonus based on profits across accounting years.

### • Judicial Interpretation

- ♦ **Jalan Trading Co. v. Mill Mazdoor Union (1967):** The Apex Court of India confirmed that payment of bonus is valid and constitutional.
- ♦ **State of TN v. K. Sabanayagam (1997):** The Apex Court of India reinforced that payment of bonus is a statutory obligation, not a voluntary charity.
- ♦ **Muir Mills Co. v. Suti Mills Mazdoor Union, Kanpur (1955):** The Apex Court of India clarified that while bonus has a connection with profits, it is equally a statutory right of workers.

### • E-Compliance & Policy Implications

- ♦ **E-Registers:** Employers must maintain digital records of bonus payments and employee eligibility.
- ♦ **Policy Requirement:** Adoption of a Bonus Distribution Policy, outlining eligibility criteria, timelines, and disclosure norms to avoid disputes.
- ♦ **Display Requirement:** Abstract of the Act and details of bonus eligibility should be digitally displayed at the workplace and intranet portals.

**Example:** A manufacturing company in Gujarat introduced an online bonus declaration system, which significantly reduced union-related disputes and improved transparency.

## THE EQUAL REMUNERATION ACT, 1976

### • Objective

The Equal Remuneration Act, 1976 was enacted to eliminate gender-based discrimination in matters of wages and employment opportunities. Its foundation lies in Article 39(d) of the Constitution, which directs the State to ensure *equal pay for equal work for both men and women*. The Act was also India's response to its international commitments after ratifying the ILO Convention No. 100 (Equal Remuneration Convention, 1951), which emphasized equality in wages without discrimination. Prior to this, women often faced lower pay for the same work and were denied opportunities in certain roles. The Act therefore came into force to guarantee not only equal wages for equal work but also to ensure that women are not discriminated against in recruitment, promotions, and service conditions. Over the years, it has become a cornerstone in promoting workplace equality and gender justice in India.

### • Key Provisions

- ♦ **Applicability:** Covers establishments in both public and private sectors.
- ♦ **Section 4:** Equal remuneration to men and women workers for same or similar work.
- ♦ **Section 5:** No discrimination in recruitment, promotions, training, or transfers.
- ♦ **Section 6:** Employer to maintain registers showing compliance with the Act.

### • Judicial Interpretation

- ♦ **Randhir Singh v. Union of India (1982):** The Apex Court of India held that “Equal pay for equal work” is a constitutional right under Articles 14 & 16.
- ♦ **Mackinnon Mackenzie & Co. v. Audrey D’Costa (1987):** The Apex Court of India held that women stenographers are entitled to same pay as male stenographers; gender-based pay scales are invalid.
- ♦ **Air India v. Nargesh Meerza (1981):** The Apex Court of India held that Service conditions cannot discriminate against women employees (retirement, pregnancy-based termination struck down).

## • Compliance & Policy Implications

- ♦ **E-Registers:** Employers to maintain digital records of wage equality, promotions, and recruitment.
- ♦ **Policy Requirement:** Gender Equality Policy covering equal pay, transparent promotion criteria, and redressal mechanism.
- ♦ **Display Requirement:** Abstract of the Act at workplace and on company intranet.

**Example:** A Bengaluru based IT firm introduced a digital HR audit system to track pay gaps, resulting in a 100% gender-neutral salary structure within two years.

## POLICY FRAMING, REGISTRATION & DISPLAY REQUIREMENTS

### 1. Internal Policies Required

- **Wage Payment Policy:** It should clearly outline timelines for salary disbursement (monthly/weekly), permissible deductions (statutory, authorized, or penal), and establish an internal grievance redressal mechanism for wage-related complaints.
- **Minimum Wage Policy:** It must ensure that wage structures across all categories of workers are updated in line with Government notifications, including variable dearness allowance (VDA) revisions.
- **Bonus Policy:** It should define eligibility, timelines, and method of bonus distribution, especially in profit-linked scenarios, while also covering provisions for “set-on” and “set-off” as per law.
- **Equal Remuneration Policy:** It should enforce gender-neutral pay practices, prohibit bias in recruitment, promotions, or training, and ensure transparent criteria for wage fixation.

### 2. E-Licensing & Registration

- **Unified Online Registration:** Employers must register establishments under applicable wage laws through the Shram Suvidha Portal, which acts as a single-window system.
- **Digital Filing of Returns:** Annual/half-yearly returns under Payment of Wages, Minimum Wages, Bonus, and Equal Remuneration Act to be filed electronically.
- **License Management:** Factories, shops, and commercial establishments are required to obtain licenses, with online renewals now being the standard practice to reduce paperwork.
- **Linkage with EPFO/ESIC:** Many state systems are being integrated with central portals for ease of compliance.

### 3. Display Requirements

- **Abstracts of Acts:** Mandatory display of key provisions and employee rights under wage laws in

English, Hindi, and the local regional language at the workplace.

- **Notices for Workers:** Display of wage periods, working hours, minimum wage rates, bonus eligibility criteria, and contact details of the Inspector or Labour Officer.
- **Digital Displays:** For IT/ITES and hybrid workplaces, abstracts and policies should also be hosted on the company intranet/HR portals, ensuring remote workers have equal access to statutory information.

## WAY FORWARD

- **Unified Labour Compliance Portal:** Development of a single national platform integrating state and central filings.
- **AI-based Wage Audits:** Adoption of AI/analytics tools by regulators and large employers to flag irregular payments, underpayment risks, and bonus miscalculations in real time.
- **Worker-Centric Digital Tools:** Mobile apps offering instant access to wage slips, bonus calculations, and grievance filing in multiple regional languages to increase transparency.
- **Implementation of Wage Code, 2019:** Once enforced uniformly, the Code will subsume existing wage-related Acts, providing standard definitions, consolidated compliance requirements, and reduced regulatory overlap.

## ROLE OF COMPANY SECRETARY IN E-COMPLIANCE OF WAGE LAWS

The Company Secretary (CS), as a key governance professional, plays an increasingly important role in ensuring e-compliance under wage legislations in India. With the shift from paper-based filings to digital platforms such as the Shram Suvidha Portal, EPFO, ESIC, and state labour portals, the role of the CS extends beyond secretarial work to encompass compliance strategy, monitoring, and digital governance.

**Key responsibilities include:**

### a) Compliance Advisory & Policy Drafting

- Advising the Board and HR leadership on statutory requirements under the Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; and Equal Remuneration Act, 1976 as well as their integration under the Code on Wages, 2019.
- Drafting and reviewing internal policies such as Wage Payment Policy, Minimum Wage Policy, Bonus Distribution Policy, and Equal Remuneration Policy to ensure statutory alignment.

### b) E-Filing & Digital Documentation

- Overseeing online registrations, filings of returns, and renewals of licenses through portals like Shram Suvidha, EPFO, and ESIC.



- Ensuring wage registers, bonus declarations, and gender equality records are digitized and maintained in prescribed formats for inspection and audits.

#### c) Monitoring & Internal Controls

- Conducting internal wage law compliance audits in coordination with HR and finance teams to detect risks such as underpayment, delayed disbursements, or non-alignment with minimum wage notifications.
- Implementing digital dashboards for compliance tracking and preparing MIS reports for management review.

#### d) Board-Level Reporting & Disclosures

- Placing quarterly compliance status reports before the Board or Audit Committee to ensure accountability.
- Certifying compliance in statutory filings and disclosures wherever wage-related compliance overlaps with corporate reporting obligations.

#### e) Capacity Building & Employee Awareness

- Guiding HR teams on legal updates, case law developments, and government notifications related to wages.
- Facilitating digital awareness initiatives for employees—such as intranet-based statutory abstracts, FAQs on wage laws, and grievance redressal mechanisms.

#### f) Bridge Between Regulator & Organization

- Acting as a liaison during digital inspections, clarifications, or notices issued by Inspector-cum-Facilitators.
- Ensuring timely submission of replies and representation before labour authorities.

**Example:** In several corporates, CS professionals have successfully integrated wage law compliance with enterprise governance tools—such as payroll software linked to compliance dashboards—thus minimizing human error and ensuring transparency in wage disbursements.

## CONCLUSION

The digitization of wage law compliance marks a paradigm shift in India's labour governance framework. With the Payment of Wages Act, 1936; Minimum Wages Act, 1948; Payment of Bonus Act, 1965; and Equal Remuneration Act, 1976 a statutory foundation has been laid to secure the rights of workers across sectors. Over time, judicial interpretations have expanded the scope of these laws, reinforcing principles of fairness, equality, and timely remuneration.

For employers, this transformation translates into the need for structured internal policies—covering wage payment, minimum wages, bonuses, and gender-neutral pay—along with digital filings, e-licensing, and mandatory displays in both physical and electronic formats. Compliance is no longer limited to paperwork; it demands systematic monitoring, integration with government portals, and employee accessibility through digital tools.

For workers, the framework ensures greater transparency, reduced wage-related disputes, and improved access to entitlements. The move towards AI-based audits, mobile wage slips, and multilingual interfaces further bridges the gap for unskilled and migrant workers, addressing the digital divide.

As India advances towards the full enforcement of the Code on Wages, 2019, the convergence of technology, law, and policy will not only simplify compliance for organizations but also strengthen trust and accountability in employer–employee relations. This evolution represents a crucial step towards building a labour ecosystem that is equitable, transparent, and sustainable in the digital era.

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