



ST. JOSEPH'S DEGREE & PG COLLEGE

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King Koti Main Road, Hyderabad-500029.

Labour Laws B.com Professional (II Year) Semester - IV

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Unit - III Notes

(Employees State Insurance , Employees Provident Fund and Gratuity Act)

Introduction of the Act

Employees' State Insurance (abbreviated as ESI) is a self-financing social security and health insurance scheme for Indian workers. This fund is managed by the Employees' State Insurance Corporation (ESIC) according to rules and regulations stipulated there in the ESI Act 1948. ESIC is an autonomous corporation by a statutory creation under Ministry of Labour and Employment, Government of India.

Objectives and Scope of ESI Act

Objective

The Employees State Insurance Act, ESI Act for short, was enacted by the Government of India in 1948. The major objective of the Act was to provide certain benefits to employees in case of sickness, maternity and injury (during employment) and for providing other benefits in relation to the main objectives.

Scope

The ESI Act, 1948 in the first instance, applies to:

- Factories using power in the manufacturing process and employing 10 or more persons
- Non-power using factories or establishments employing 20 or more persons for wages.

The Act contains an enabling provision under which Appropriate Government is

empowered to extend the provision of the ESI Act, 1948 to other classes of establishments.

- Industrial
- Commercial
- Agricultural or otherwise

Under these provisions the State Governments have extended the provisions of the ESI Act to the following classes of establishments.

- Shops
- Hotels & Restaurants
- Cinemas including preview Theaters
- Road Motor Transport Undertaking
- News Paper Establishments

Constitution of ESI Court – Sec 74

The State Government shall, by notification in the Official Gazette, constitute an Employees' Insurance Court for such local area as may be specified in the notification.

(2) The Court shall consist of such number of Judges as the State Government may think fit.

(3) Any person who is or has been a judicial officer or is a legal practitioner of five years standing shall be qualified to be a Judge of the Employees' Insurance Court.

(4) The State Government may appoint the same Court for two or more local areas or two or more Courts for the same local area.

(5) Where more than one Court has been appointed for the same local area, the State Government may by general or special order, regulate the distribution of business between them.

Powers of ESI Court – Sec 78

(1) The Employees' Insurance Court shall have all the powers of a Civil Court for the purposes of summoning and enforcing the attendance of witnesses, compelling the discovery and production of documents and material objects, administering oath and recording evidence and such Court shall be deemed to be a Civil Court.

(2) The Employees' Insurance Court shall follow such procedure as may be prescribed by rules made by the State Government.

(3) All costs incidental to any proceeding before an Employees' Insurance Court shall, subject to such rules as may be made in this behalf by the State Government, be in the discretion of the Court.

(4) An order of the Employees' Insurance Court shall be enforceable as if it were a decree passed in a suit by a Civil Court.

Establishment of Employees State Insurance Corporation (E.S.I.C) -

According to Section 3 of the Employees State Insurance Act, 1948 With effect from such date as the Central Government may, by notification in the Official Gazette, appoint in this behalf, there shall be established for the administration of the scheme of employees' state insurance in accordance with the provisions of this Act a Corporation to be known as the Employees' State Insurance Corporation. The Corporation is a body corporate by the name of Employees' State Insurance Corporation having perpetual succession and a

common seal and shall by the said name sue and be sued.

Constitution of E.S.I.C (Employees State Insurance Corporation)

According to Section 4 of the Said Act, the Corporation shall consist of the following members, namely -

- (a) A Chairman to be appointed by the Central Government.
- (b) A Vice-Chairman to be appointed by the Central Government;
- (c) Not more than five persons to be appointed by the Central Government;
- (d) One person each representing each of the States in which this Act is in force to be appointed by the State Government concerned;
- (e) One person to be appointed by the Central Government to represent the Union Territories;
- (f) Ten persons representing employers to be appointed by the Central Government in consultation with such organizations of employers as may be recognized for the purpose by the Central Government;
- (g) Ten] persons representing employees to be appointed by the Central Government in consultation with such organizations of employees as may be reorganized for the purpose by the Central Government;
- (h) Two persons representing the medical profession to be appointed by the Central Government in consultation with such organization of medical practitioners as may be recognized for the purpose by the Central Government;
- (i) Three members of Parliament of whom two shall be members of the House of the People (Lok Sabha) and one shall be a member of the Council of States (Rajya Sabha) elected respectively by the members of the House of the People and the members of the Council of States; and
- (j) the Director-General of the Corporation ex-officio.

Term of office -

According to Section 5 of the Act, the term of office of members of the Corporation other than the members referred to in clauses (a), (b), (c), (d) and (e) of Section 4 and the ex officio member, shall be four years, commencing from the date on which their appointment or election is notified:

PROVIDED that a member of the Corporation shall, notwithstanding the expiry of the said period of four years, continue to hold office until the appointment or election of his successor is notified.

The members of the Corporation referred to in clauses (a),(b),(c) and (e) of section 4 shall hold office during the pleasure of the government appointing them.

Powers of E.S.I.C

Powers of the Employees State Insurance Corporation are as follows -

- (a) To promote measure for the improvement of Health and welfare of the insured person.
- (b) To promote measures for the rehabilitation and re-employment of insured persons who are disabled or injured.
- (c) To incur expenses in respect of such measures from its fund up to a limit prescribed by the central government.

Employees' State Insurance Fund- Sec 26

(1) All contributions paid under this act and all other moneys received on behalf of the Corporation shall be paid into a fund called the Employees' State

Insurance Fund which shall be held and administered by the Corporation for the purposes of this Act.

(2) The Corporation may accept grants, donations and gifts from the Central or any State Government,¹ local authority, or any individual or body whether incorporated or not, for all or any of the purposes of this Act.

²(3) Subject to the other provisions contained in this Act and to any rules or regulations made in this behalf, all moneys accruing or payable to the said Fund shall be paid into the Reserve Bank of India or such other bank as may be approved by the Central Government to the credit of an account styled the Account of the Employees' State Insurance Fund.

(4) Such account shall be operated on by such officer as may be authorised by the Standing Committee with the approval of the Corporation.

Employers not to reduce Wages under EPF

Under section 12 of the Act, Employees Provident Funds Miscellaneous Provisions Act, 1952, Employer not to reduce wages, etc defines the Act, under this section. According to this no employer in relation to any factory or an establishment to which any insurance related scheme is applicable is liable to reduce the wages of the employees. Due to his liability to contribute to any charges or insurance funding under this, Act. Whether, directly or indirectly. The employer has right to reduce the wages of the employees. To whom the insurance scheme is applicable. Also, the total benefits are in the nature of the gratuity, life insurance, old age pension, or provident fund , entitled to the employees under his employment terms implied.

Therefore, any reduction made by the employer for any reason other than providing in section 12 of the Act. Thus the Act is not prohibited. And he's not

liable to make any deduction on the basis of this liability only. E.g. if an employee's gross salary is 30,000 INR per month, with no contribution in the PF. And if the employer tries or wants to implement then it should be a deduction from the employee's gross in hand salary or the employer is not liable to raise per month CTC or both, of the employee. The contribution shall be to both the employee and the employer.

Applicability of the EPF Act

Employees Provident Fund is established in 1952 and hence the act is named as **Employees Provident Fund & Miscellaneous Provisions Act, 1952**, which extend to the whole of India except Jammu & Kashmir.

It is applicable:

- a) Every factory engaged in any industry specified in Schedule 1 in which 20 or more persons are employed;
- b) Every other establishment employing 20 or more persons or class of such establishments which the Central Govt. may notify;
- c) Any other establishment so notified by the Central Government even if employing less than 20 persons.

Every employee, including the one employed through a contractor (but excluding an apprentice engaged under the Apprentices Act or under the standing orders of the establishment and casual laborers), who is in receipt of wages up to Rs.6,500 p.m., shall be eligible for becoming a member of the funds. The condition of three months' continuous service or 60 days of actual work, for membership of the scheme.

Non-applicability of the EPF Act

EPF is the main scheme under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 . The scheme is managed under the aegis of Employees' Provident Fund Organisation (EPFO).

It covers every establishment in which 20 or more persons are employed and certain organisations are covered, subject to certain conditions and exemptions even if they employ less than 20 persons each.

Under EPF scheme, an employee has to pay a certain contribution towards the scheme and an equal contribution is paid by the employer. The employee gets a lump sum amount including self and employer's contribution with interest on both, on retirement.

As per the rules, in EPF, employee whose 'pay' is more than Rs. 15,000 per month at the time of joining, is not eligible and is called non-eligible employee. Employees drawing less than Rs 15000 per month have to mandatorily become members of the EPF. However, an employee who is drawing 'pay' above prescribed limit (at present Rs 15,000) can become a member with permission of Assistant PF Commissioner, if he and his employer agree.

What are the different types of benefits provide by ESI act .

The ESI Act 1948, was promulgated to negate the financial distress of workers in times of sickness, maternity, temporary or permanent disablement, occupational disease or death due to employment injury – resulting in loss of wages or earning capacity-total or partial. **ESI registration** is mandatory for non-seasonal factories employing 10 or more persons. Further, ESI registration is also mandatorily required for shops, hotels, restaurants, cinemas including preview theatres, road-motor transport undertakings and newspaper establishments employing 20 or more persons. In this article, we look at the benefits of ESI registration.

Medical Benefit

Full medical care is provided to all persons registered under ESI and their family members – from the day the person enters insurable employment. There is no ceiling on expenditure on the treatment of an Insured Person or his family member. Medical care is also provided to retired and permanently disabled insured persons and their spouses on payment of a token annual premium of

Rs.120/-.

Sickness Benefit

Sickness benefit in the form of cash compensation at the rate of 70% of wages is payable to insured workers during the periods of certified sickness for a maximum of 91 days in a year. In order to qualify for sickness benefit, the insured worker is required to contribute for 78 days in a contribution period of 6 months. Workers suffering from malignant and long-term diseases can claim extended sickness benefit for upto two years at an enhanced rate of 80% of wages. Also, enhanced sickness benefit equal to full wage is payable to insured persons undergoing sterilization for 7 days/14 days for male and female workers respectively.

Maternity Benefit

Maternity benefit for confinement/pregnancy is provided for three months, which is extendable by further one month on medical advice at the rate of full wage subject to contribution for 70 days in the preceding year.

Disablement Benefit

From the day of entering insurable employment and irrespective of having paid any contribution, 90% of wage is payable so long as temporary disability continues. Permanent disablement benefit is payable at the rate of 90% of wage in the form of monthly payment, in case of permanent disablement based on the extent of loss of earning capacity as certified by a Medical Board.

Dependant Benefit

Dependant benefit is paid at the rate of 90% of wage in the form of monthly payment to the dependants of a deceased insured person, in cases death occurs due to employment injury or occupational hazards.

Funeral Expenses

An amount of Rs.10,000/- is payable to the dependents or to the person who performs last rites from day one of entering insurable employment.

Unemployment Allowance

Rajiv Gandhi Shramik Kalyan Yojana : An Insured Person becoming unemployed after being insured for three or more years, due to closure of factory/establishment, retrenchment or permanent invalidity are entitled to Unemployment Allowance equal to 50% of wage for a maximum period of up to one year.

Medical care for self and family from ESI Hospitals/Dispensaries is also available during the period IP receives Unemployment Allowance.

What is Gratuity ? When is Gratuity payable and to whom is Gratuity payable .

Meaning of Gratuity :- Gratuity is a monetary benefit given by the employer to his employee at the time of retirement. It is a defined benefit plan where no contributions are made by the employee. Prior to 1972, there was no law where it was mandatory for the employer to pay employees gratuity at the time of retirement. In 1972, the government of India enacted the Payment of Gratuity Act which made it mandatory for employers to pay their employees gratuity at the time of quitting, provided certain conditions were met.

To whom and when it is Payable :- An organisation will come under the purview of the Act if it has 10 or more employees on any single day in the preceding 12 months. The Payment of Gratuity Act follows the rule of 'Once Covered, Always Covered'. This means that once an organisation comes under the Act, it will always remain covered even if the number of employees falls below 10. Even if the organisation has less than 10 employees, the law does not restrict the employer from paying gratuity to his employees. An employee's eligibility to receive gratuity starts only if he has worked in an organisation for at least five years. Therefore, if an employee decides to leave the organisation after working there for five years, then only an employees are eligible to receive the gratuity.

Sec 4 , Gratuity shall be payable to an Employee on termination of his employment after he has rendered continuous service for not less than 5 years.

- i. On his superannuation, or

- ii. On his Retirement or resignation ,
- iii. On his death or disablement due to accident or disease.

Disablement Means : Disablement means such disablement as incapacitates an employee for the work which he was capable of performing before the accident or disease resulting in such disablement.

Payment to Nominee / heirs in case of death :- The completion of continuous service of 5 years shall not be necessary when the termination of the employment of any employee is due to death or disablement. In case of death of an employee, gratuity payable to him shall be paid to his nominee, or if no nominee has been made, to his heirs.

Who is an Employer under Gratuity act ? List out the rights and Obligations of Employees and Employer ?

According to Sec 2(f) “employer” means, in relation to any establishment, factory, mine, oilfield, plantation, port, railway company or shop—

(i) belonging to, or under the control of, the Central Government or a State Government a person or authority appointed by the appropriate Government for the supervision and control of employees, or where no person or authority has been so appointed, the head of the Ministry or Department concerned,

(ii) belonging to, or under the control of, any local authority, the person appointed by such authority for the supervision and control of employees or where no person has been so appointed, the chief executive officer of the local authority,

(iii) in any other case, the person, who, or the authority which, has the ultimate control over the affairs of the establishment, factory, mine, oilfield, plantation, port, railway company or shop, and where the said affairs are entrusted to any other person, whether called a manager, managing director or by any other name, such person;

Right And Obligation Of The Employer

Employer duty to determine and pay gratuity

- Section 7(2): Lays down that as soon as gratuity becomes payable the employer shall, whether the application has been made or not, determine the amount of gratuity and give notice in writing to the person to whom gratuity is payable.
- Section 7(3): Employer shall pay the amount of gratuity within 30 days from the date of it becoming payable.
- Section 7(3A): Under subsection if gratuity not paid within specified period then gratuity becomes payable along with simple interest at rate of 10% per annum

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- Section 7(3A): Under subsection if gratuity not paid within specified period then gratuity becomes payable along with simple interest at rate of 10% per annum
- Section 7(4)(e): If the disputes relates to the amount of gratuity payable, the employer shall deposit the amount with Controlling Authority such amount as he admits to be payable by him.



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Rights and Obligation of Employee

Application for payment of gratuity

- Section 7(1) : Person eligible for payment of gratuity, to act on his behalf shall send a written application to the employer.
- Rule 7: The Payment of Gratuity Rules,1972, provides that the application shall be made ordinarily within 30 days from the date gratuity becomes payable .
- In case of superannuation or retirement of employee is known, the employee may apply before 30 days of the date of superannuation



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- Rule 7: The Payment of Gratuity Rules, 1972, provides that the application shall be made ordinarily within 30 days from the date gratuity becomes payable .
- In case of superannuation or retirement of employee is known, the employee may apply before 30 days of the date of superannuation or retirement .
- Rule 7(2) : A nominee of an employee eligible for gratuity in case of death of employee shall apply within 30 days from the date of gratuity becomes payable to him.

OBJECT AND SCOPE

The main object of the Act is to eliminate all malpractices by laying down the time and mode of payment of wages as well as securing that the workers are paid their wages at regular intervals, without any unauthorized deductions. In order to enlarge its scope and provide for more effective enforcement the Act empowering the Government to enhance the ceiling by notification in future. The Act extends to the whole of India.

DEFINITIONS

“Employed person” includes the legal representative of a deceased employed person. {Section 2(ia)}

“Employer” includes the legal representative of a deceased employer. {Section 2(ib)}

“Factory” means a factory as defined in clause (m) of section 2 of the Factories Act 1948 (63 of 1948) and includes any place to which the provisions of that Act have been applied under sub-section (1) of section 85 thereof. {Section 2(ic)}

“Industrial or other establishment” means any –

(a) tramway service or motor transport service engaged in carrying passengers or goods or both by road for hire or reward;

(aa) air transport service other than such service belonging to or exclusively employed in the military naval or air forces of the Union or the Civil Aviation Department of the Government of India;

(b) dock wharf or jetty;

(c) inland vessel mechanically propelled;

(d) mine quarry or oil-field;

(e) plantation;

(f) workshop or other establish establishment in which articles are produced adapted or manufactured with a view to their use transport or sale;

(g) establishment in which any work relating to the construction development or

maintenance of buildings roads bridges or canals or relating to operations connected with navigation irrigation or to the supply of water or relating to the generation transmission and distribution of electricity or any other form of power is being carried on;

(h) any other establishment or class of establishments which the Appropriate Government may have regard to the nature thereof the need for protection of persons employed therein and other relevant circumstances specify by notification in the Official Gazette. {Section 2(ii)}

“Wages” means all remuneration (whether by way of salary allowances or otherwise) expressed in terms of money or capable of being so expressed which would if the terms of employment express or implied were fulfilled be payable to a person employed in respect of his employment or of work done in such employment and includes –

(a) any remuneration payable under any award or settlement between the parties or order of a court;

(b) any remuneration to which the person employed is entitled in respect of overtime work or holidays or any leave period;

(c) any additional remuneration payable under the terms of employment (whether called a bonus or by any other name);

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

(e) any sum to which the person employed is entitled under any scheme framed under any law for the time being in force, but does not include –

(1) any bonus (whether under a scheme of profit sharing or otherwise) which does not form part of the remuneration payable under the terms of employment or which is not payable under any award or settlement between the parties or order of a court;

(2) the value of any house-accommodation or of the supply of light water medical attendance or other amenity or of any service excluded from the

computation of wages by a general or special order of Appropriate Government;

(3) any contribution paid by the employer to any pension or provident fund and the interest which may have accrued thereon;

(4) any travelling allowance or the value of any travelling concession;

(5) any sum paid to the employed person to defray special expenses entailed on him by the nature of his employment; or

(6) any gratuity payable on the termination of employment in cases other than those specified in sub-clause (d). {Section 2(vi)}

RESPONSIBILITY FOR PAYMENT OF WAGES

Section 3 provides that every employer shall be responsible for the payment to persons employed by him of all wages required to be paid under the Act. However, in the case of persons employed in factories if a person has been named as the manager of the factory; in the case of persons employed in industrial or other establishments if there is a person responsible to the employer for the supervision and control of the industrial or other establishments; in the case of persons employed upon railways if the employer is the railway administration and the railway administration has nominated a person in this behalf for the local area concerned; in the case of persons employed in the work of contractor, a person designated by such contractor who is directly under his charge; and in any other case, a person designated by the employer as a person responsible for complying with the provisions of the Act, the person so named, the person responsible to the employer, the person so nominated or the person so designated, as the case may be, shall be responsible for such payment. It may be noted that as per section 2(ia) “employer” includes the legal representative of a deceased employer.

Fixation of wage period : As per section 4 of the Act every person responsible for the payment of wages shall fix wage-periods in respect of which such wages shall be payable. No wage-period shall exceed one month.

Time of payment of wages

Section 5 specifies the time payment of wages. The wages of every person employed upon or in any railway factory or industrial or other establishment

upon or in which less than one thousand persons are employed, shall be paid before the expiry of the seventh day.

The wages of every person employed upon or in any other railway factory or industrial or other establishment shall be paid before the expiry of the tenth day, after the last day of the wage-period in respect of which the wages are payable. However, in the case of persons employed on a dock wharf or jetty or in a mine the balance of wages found due on completion of the final tonnage account of the ship or wagons loaded or unloaded as the case may be shall be paid before the expiry of the seventh day from the day of such completion.

Where the employment of any person is terminated by or on behalf of the employer the wages earned by him shall be paid before the expiry of the second working day from the day on which his employment is terminated.

However, the employment of any person in an establishment is terminated due to the closure of the establishment for any reason other than a weekly or other recognised holiday the wages earned by him shall be paid before the expiry of the second day from the day on which his employment is so terminated.

The Appropriate Government may by general or special order exempt to such extent and subject to such conditions as may be specified in the order the person responsible for the payment of wages to persons employed upon any railway or to persons employed as daily-rated workers in the Public Works Department of the Appropriate Government from the operation of this section in respect of wages of any such persons or class of such persons. All payments of wages shall be made on a working day.

Wages to be paid in current coin or currency notes

As per section 6 of the Act, all wages shall be paid in current coin or currency notes or in both. However, the employer may, after obtaining the written authorisation of the employed person, pay him the wages either by cheque or by crediting the wages in his bank account.

DEDUCTIONS FROM THE WAGES OF AN EMPLOYEE

Section 7 of the Act allows deductions from the wages of an employee on the account of the following:- (i) fines; (ii) absence from duty; (iii) damage to or loss

of goods expressly entrusted to the employee; (iv) housing accommodation and amenities provided by the employer; (v) recovery of advances or adjustment of overpayments of wages; (vi) recovery of loans made from any fund constituted for the welfare of labour in accordance with the rules approved by the State Government, and the interest due in respect thereof; (vii) subscriptions to and for repayment of advances from any provident fund;(viii) income-tax; (ix) payments to co-operative societies approved by the State Government or to a scheme of insurance maintained by the Indian Post Office; (x) deductions made with the written authorization of the employee for payment of any premium on his life insurance policy or purchase of securities.

Fines

Section 8 deals with fines. It provides that :

(1) No fine shall be imposed on any employed person save in respect of such acts and omissions on his part as the employer with the previous approval of the State Government or of the prescribed authority may have specified by notice under sub-section (2).

(2) A notice specifying such acts and omissions shall be exhibited in the prescribed manner on the premises in which the employment carried on or in the case of persons employed upon a railway (otherwise than in a factory) at the prescribed place or places.

(3) No fine shall be imposed on any employed person until he has been given an opportunity of showing cause against the fine or otherwise than in accordance with such procedure as may be prescribed for the imposition of fines.

(4) The total amount of fine which may be imposed in any one wage-period on any employed person shall not exceed an amount equal to three per cent of the wages payable to him in respect of that wage period.

(5) No fine shall be imposed on any employed person who is under the age of fifteen years.

(6) No fine imposed on any employed person shall be recovered from him by installments or after the expiry of ninety days from the day on which it was imposed.

(7) Every fine shall be deemed to have been imposed on the day of the act or omission in respect of which it was imposed.

(8) All fines and all realisations thereof shall be recorded in a register to be kept by the person responsible for the payment of wages under section 3 in such form as may be prescribed; and all such realisations shall be applied only to such purposes beneficial to the persons employed in the factory or establishment as are approved by the prescribed authority.

It may be noted that when the persons employed upon or in any railway, factory or industrial or other establishment are part only of a staff employed under the same management all such realisations may be credited to a common fund maintained for the staff as a whole provided that the fund shall be applied only to such purposes as are approved by the prescribed authority.

CLAIMS ARISING OUT OF DEDUCTIONS FROM WAGES OR DELAY IN PAYMENT OF WAGES AND PENALTY FOR MALICIOUS OR VEXATIOUS CLAIMS

Section 15 deals with claims arising out of deductions from wages or delay in payment of wages and penalty for malicious or vexatious claims. It provides that the appropriate Government may, by notification in the Official Gazette, appoint-

(a) any Commissioner for Workmen's Compensation; or

(b) any officer of the Central Government exercising functions as,-

(i) Regional Labour Commissioner; or

(ii) Assistant Labour Commissioner with at least two years' experience; or

(c) any officer of the State Government not below the rank of Assistant Labour Commissioner with at least two years' experience; or

(d) a presiding officer of any Labour Court or Industrial Tribunal, constituted under the Industrial Disputes Act, 1947 or under any corresponding law relating to the investigation and settlement of industrial disputes in force in the State; or

(e) any other officer with experience as a Judge of a Civil Court or a Judicial Magistrate, as the authority to hear and decide for any specified area all claims

arising out of deductions from the wages, or delay in payment of the wages, of persons employed or paid in that area, including all matters incidental to such claims.

Provided that where the appropriate Government considers it necessary so to do, it may appoint more than one authority for any specified area and may, by general or special order, provide for the distribution or allocation of work to be performed by them under this Act.

Sub-section (2) of section 15 provides that where contrary to the provisions of the Act any deduction has been made from the wages of an employed person or any payment of wages has been delayed such person himself or any legal practitioner or any official of a registered trade union authorised in writing to act on his behalf or any Inspector under this Act or any other person acting with the permission of the authority appointed under subsection (1) may apply to such authority for a direction under sub-section (3) :

However, every such application shall be presented within twelve months from the date on which the deduction from the wages was made or from the date on which the payment of the wages was due to be made as the case may be. Any application may be admitted after the said period of twelve months when the applicant satisfies the authority that he had sufficient cause for not making the application within such period.

As per sub-section (3) when any application under sub-section (2) is entertained, the authority shall hear the applicant and the employer or other person responsible for the payment of wages under section 3, or give them an opportunity of being heard, and, after such further enquiry, if any, as may be necessary, may, without prejudice to any other penalty to which such employer or other person is liable under this Act, direct the refund to the employed person of the amount deducted, or the payment of the delayed wages, together with the payment of such compensation as the authority may think fit, not exceeding ten times the amount deducted in the former case and not exceeding three thousand rupees but not less than one thousand five hundred rupees in the latter, and even if the amount deducted or delayed wages are paid before the disposal of the application, direct the payment of such compensation, as the authority may think fit, not exceeding two thousand rupees.

A claim under the Act shall be disposed of as far as practicable within a period of three months from the date of registration of the claim by the authority. It may be noted that the period of three months may be extended if both parties to the dispute agree for any bona fide reason to be recorded by the authority that the said period of three months may be extended to such period as may be necessary to dispose of the application in a just manner.

No direction for the payment of compensation shall be made in the case of delayed wages if the authority is satisfied that the delay was due to-

(a) a bona fide error or bona fide dispute as to the amount payable to the employed person; or

(b) the occurrence of an emergency, or the existence of exceptional circumstances, the person responsible for the payment of the wages was unable, in spite of exercising reasonable diligence; or

(c) the failure of the employed person to apply for or accept payment.

As per sub-section (4) if the authority hearing an application under this section is satisfied that the application was either malicious or vexatious the authority may direct that a penalty not exceeding three hundred seventy five Rupees be paid to the employer or other person responsible for the payment of wages by the person presenting the application; or in any case in which compensation is directed to be paid under sub-section (3) the applicant ought not to have been compelled to seek redress under this section the authority may direct that a penalty not exceeding three hundred seventy five Rupees be paid to the State Government by the employer or other person responsible for the payment of wages.