

# A Study on the Benefits of Payment of Bonus Act among Industrial Workers in Chennai

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**Abstract:** Profit-sharing in the form of bonuses has sparked considerable debate in Indian labor relations, a debate that has not died down since the Payment of Bonus Act was passed in September 1965, but has become even more entangled as a result of the Supreme Court's decision in August 1966 declaring some of the Act's clauses unconstitutional. The tradition, which began as an ex gratia payment by the proprietors of Bombay's textile mills during World War I, has since evolved into a legal requirement imposed on all employers. The aim of this research is to make an analysis on the existing laws relating to the payment of bonus to employees and unravel the controversies around it. During this research, a total of 204 responses were collected through convenient sampling method. It has been found that the existing laws seem to provide for enough bonus to the employees. It was further observed that the enactment of the Payment of Bonus Act and its amendments have aided the economic growth of the country. An empirical research method was followed for the purpose of the study and a total of 204 samples were collected using convenient sampling method. The results indicate that the enactment of Payment of Bonus Act has aided the economic growth of the country.

**Keywords:** Bonus, Ex-gratia, Employer, Employee, Labor

## I. INTRODUCTION

Bonus may be said as a reward that is paid to an employee for his good work towards the organization. The basic idea behind bonus is to share the profit earned by the organization amongst the employees and staff members. In India, the practice of bonus has been mandated by enactment of a dedicated statute, which is named as The Payment of Bonus Act, 1965. In early days, where the master and servant relationship was prevalent, the workers were paid with extra money during festivals for them to celebrate. In India, the concept of bonus was formally recognized during the First World War, where the employees working in textile industries were paid 10 % of their wages as "war bonus". The Government of India had set up a tripartite commission in 1961, which made recommendations for payment of bonus based on profits to employees. The recommendations were received and accepted in 1964. The act was enacted in order to provide for the payment of bonuses to persons employed in certain establishments on the basis of profits or on the basis of production or productivity. The act applies to all companies throughout India. The provisions of this act are applicable to: Companies that are well-defined under clause 2 of the companies act 194b; Organizations with 20 or greater than 20 employees anytime during an accounting year; Some factories or companies in public sectors; Part-time employees. The Payment of Bonus Act 1965 is applicable to all factories and companies who have 20 or more employees employed anytime with them during an accounting year. However, if an employee has been a part of a misconduct which had resulted in a loss to the employer, he may deduct the loss from the bonus payable to such employee. The Payment of Bonus Act prescribes requirements upon which being fulfilled, a person is made eligible for bonus under this act. This however does not prevent the employer from rewarding an employee who is not eligible for bonus, an ex gratia payment on his own volition. The main aim is to find whether providing of bonus will lead to the economic growth of the country.



**Objectives :**

- To analyse the benefits of the Payment of Bonus Act, 1965 to the Industrial workers.
- To determine if the enactment has aided in the economic growth of the country.
- To understand if providing a bonus intervenes with the profit of the organisation or not.
- To discuss the measures that could be taken to ensure fair distribution of bonus.

**II. REVIEW OF LITERATURE**

**Mathur (1966)** This paper surveys the origin and growth of workers' demand for bonus, and factors that ultimately led to the enactment of the Payment of Bonus Act, 1965. **Menon, C. D. (2010)** An ex-gratia payment by the textile industry of Bombay and Ahmedabad during the first world war years, with the industry booming, can be seen as the beginnings in India of the proliferation of the pay packet beyond earnings dependent on the hourly - rate or daily wage. **S. Madhuri (1979)** Bonus payment has come to form a meaningful part of the income of employees. Because of the impact of its payment on the economy, bonus has been receiving ever greater social attention as an issue that needs to be clarified, understood, and regulated. **Suresh C. Srivastava (1978)** This article deals with the applicability of the industrial disputes act in regard to the claim of bonus to employees employed in smaller establishments. **Loomba (1965)** The booklet is an union attempt to analyze the Payment of Bonus Bill. It has the following subchapters: Applicability of the ordinance; Minimum bonus; Existing benefits clause; Future settlements; Computation of bonus; and Distribution of bonus. **Varkkey et al (2018)** This article provides a brief overview of the trends in bonus payment to executives in India. This article analyzes the trends in five types of bonuses, viz., performance, end-of-year, festival, profit-share and others, from 2008 to 2016, across public and private sectors and four types of industries, viz., manufacturing and construction; trade, transport and hospitality; commercial services; and public sector, health care and education. **Gaute Torsvik (2016)** This paper examines the relationship between workers' productivity and preferred bonus scheme. **Gurtoo (2015)** This article explores the intersectional role played by the various categories of workplace dynamics of female domestic workers in India. **Mukherjee et al (2014)** Prosocial bonuses are incentive schemes where people get bonus money to spend on social causes or colleagues that can potentially improve functioning and satisfaction. **Jain et al (2016)** The present research study was conducted to assess the perception of public-sector employees of the diversity climate of their organizations (in terms of the diversity created by affirmative action) and the psychological impact of this perception. **Tarar (2020)** This article ventures upon the dogmatic analysis of the parameters laid down by the legislature pertaining to the payment of bonus in Pakistan. **Sharma (2006)** This paper shows that the Indian labor market is quite flexible despite so called restrictive labor laws. At the same time, Indian labor laws are so numerous, complex and even ambiguous that they promote litigation rather than the resolution of problems related to industrial relations. **Saini (2008)** This chapter attempts to analyze the structure of Indian labor law in the overall context of the notion of social and economic justice as enshrined in the Constitution of India. It also focuses on the working of the labor law framework in terms of its stated goals as also the changing needs of a globalizing economy. **Malhotra et al (2007)** This study examines share price reaction to the announcement of Bonus Issue for a sample of Indian Companies. **Kumari et al (2019)** This study aims to investigate the impact of Bonus Issue announcement on the Indian stock market for the period of five years from 2014 to 2018. **Papola (1994)** The paper examines the social protection to labor particularly with reference to growth and structural change in employment on the one hand and industrial restructuring and structural adjustment on the other. **Dayal (1970)** The author of this paper attempts a reconciliation between maximum savings and investment. **Devata (2010)** The present study attempts to portray the existing socio-economic condition and status of the miners. It aims at making an in-depth enquiry into reality of the problems faced by the miners and presenting their true picture in the contest of the changing developmental scenario of the State. **Yunus et al. (2015)** This paper gives an overview on the various provisions that are made by the state to ensure and promote women empowerment in India. **Gupta (2003)** This paper reports a study of two kiln operations in northern india. These kilns operate in a large unregulated manner in the informal sector and remain outside the purview of workplace laws, with workers bound to contractors and owners by the system of advance payments.

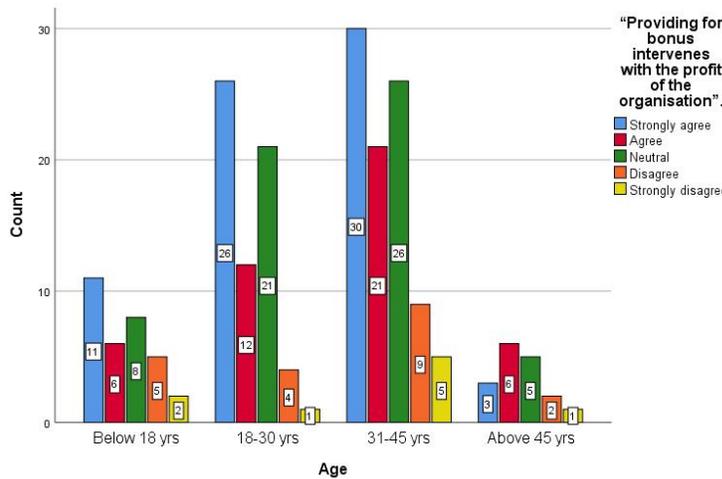


**III. METHODOLOGY**

The research method followed here is empirical research. A total of 204 samples have been collected through convenient sampling method. The data has been collected from secondary data sources such as articles, journals, online websites and literature sources. The independent variables are age, gender, educational qualification and occupation and marital status. The dependent variables include agreeability to the statement “Providing for bonus intervenes with the profit of the organisation.”, Rating on a scale of 1-10, agreeability to the statement, “The enactment of Payment of Bonus Act has aided the economic growth of the country.”, What is the measure that could be taken to ensure fair distribution of bonus among the Industrial workers, Agreeability to the statement “The employer has the right to forfeit the bonus of the workers in certain circumstances”, Rating on a scale of 1-10, rate the efficiency of Labour legislations in India in providing adequate bonus to industrial workers. The statistical tool used here is graphical representation.

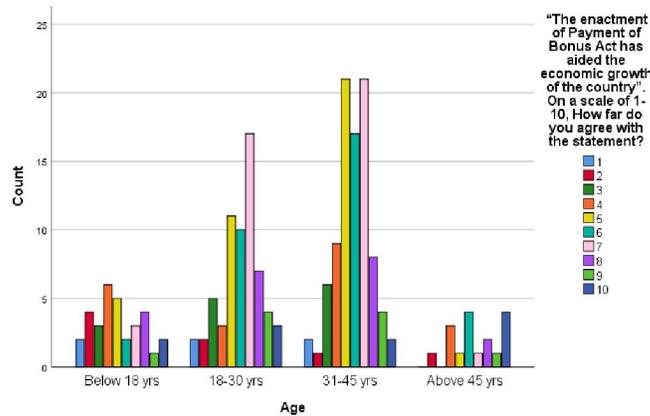
**IV. ANALYSIS**

**Figure 1**



**Legend :** Figure 1 represents the Age distribution of the sample population and their agreeability to the statement “Providing fir bonus intervenes with the profit of the organisation.”

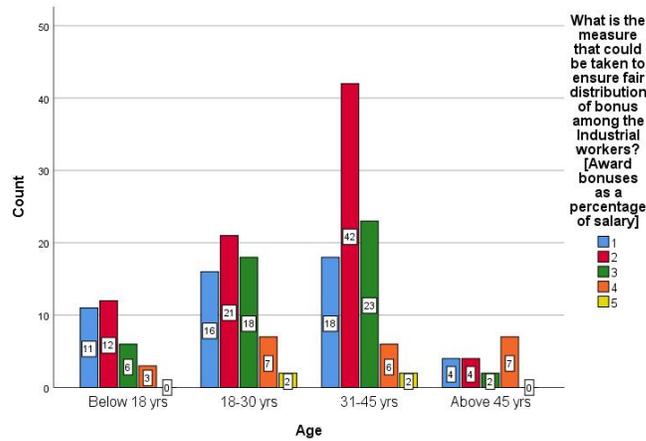
**Figure 2**



**Legend :** Figure 2 represents the Age distribution of the sample population and rating on a scale of 1-10, agreeability to the statement “The enactment of Payment of Bonus Act has aided the economic growth of the country”.

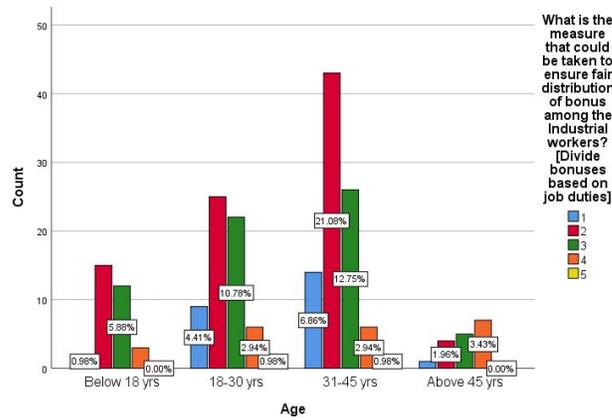


**Figure 3**



**Legend :** Figure 3 represents the Age distribution of the sample population and their opinion as to the measure that could be taken to ensure fair distribution of bonus among the industrial workers and having chosen award bonuses as a percentage of salary.

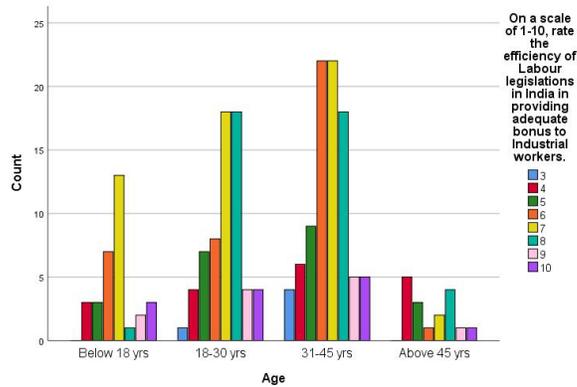
**Figure 4**



**Legend :** Figure 4 represents the Age distribution of the sample population and their opinion as to what is the measure that could be taken to ensure fair distribution of bonus among the industrial workers and having chosen to divide bonuses based on job duties

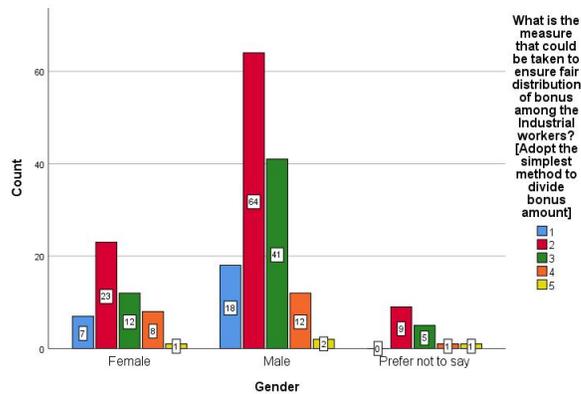


**Figure 5**



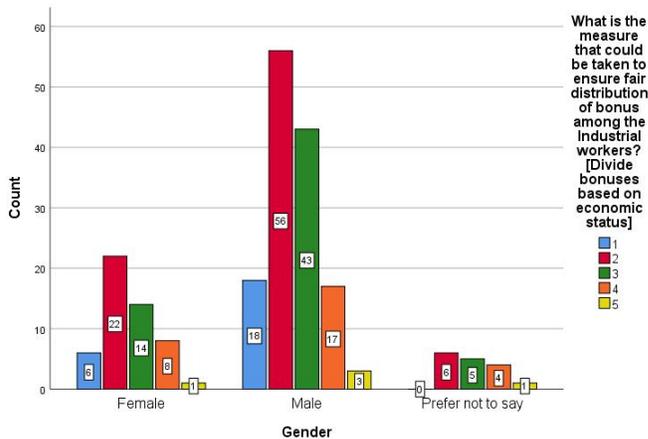
**Legend :** Figure 5 represents the Age distribution of the sample population and rating on a scale of 1-10, the efficiency of Labour legislations in India in providing adequate bonus to industrial workers.

**Figure 6**



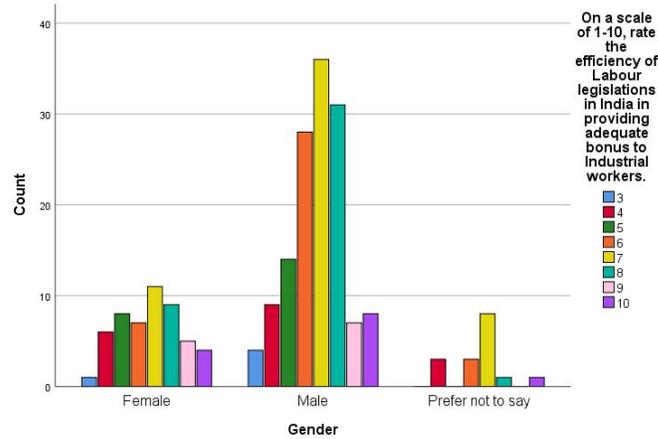
**Legend:** Figure 6 represents the Gender distribution of the sample population and their opinion as to what is the measure that could be taken to ensure fair distribution of bonus among the industrial workers and having chosen adopt the simplest method to divide bonus amount.

**Figure 7**



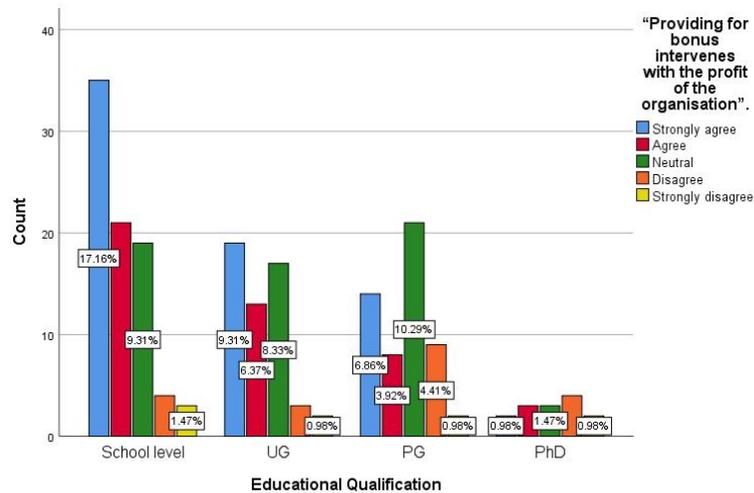
**Legend :** Figure 7 represents the Gender distribution of the sample population and their opinion as to what is the measure that could be taken to ensure fair distribution of bonus among the industrial workers and having chosen Divide bonuses based on economic status.

**Figure 8**



**Legend :** Figure 8 represents the Gender distribution of the sample population and rating on a scale of 1-10, the efficiency of Labour legislations in India in providing adequate bonus to industrial workers.

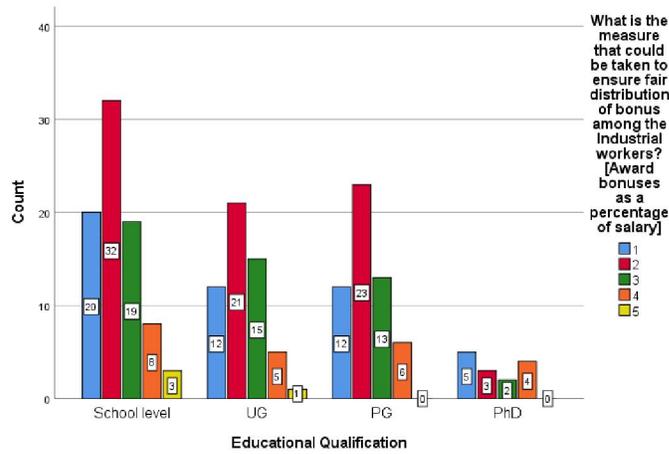
**Figure 9**



**Legend:** Figure 9 represents the Educational qualification of the sample population and their agreeability to the statement "Providing for bonus intervenes with the profit of the organisation."

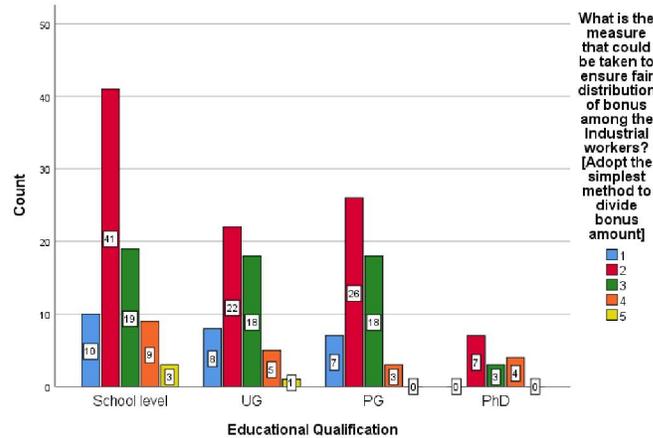


**Figure 10**



**Legend:** Figure 10 represents the Educational qualification of the sample population and their opinion as to what is the measure that could be taken to ensure fair distribution of bonus among the industrial workers and having chosen Award bonuses as a percentage of salary.

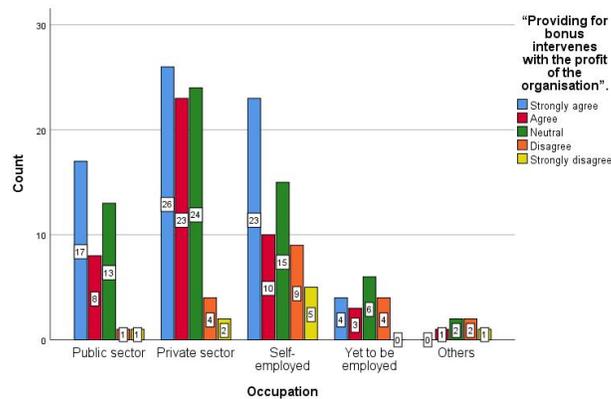
**Figure 11**



**Legend :** Figure 11 represents the Educational qualification of the sample population and their opinion as to what is the measure that could be taken to ensure fair distribution of bonus among the industrial workers and having chosen Adopt the simplest method to divide bonus amount.



**Figure 12**



**Legend:** Figure 12 represents the Occupation of the sample population and their agreeability to the statement "Providing for bonus intervenes with the profit of the organisation."

**V. RESULTS**

The majority of the respondents of Below 18 yrs, 18-30 yrs and 31-45 yrs strongly agree to the statement that "Providing for bonus intervenes with the profit of the organisation". Whereas above 45 yrs agree to it. (Fig 1). The majority of respondents of Age group, Below 18 yrs have given 4, those of 18-30 yrs and 31-45 yrs have given 7 and above 45 yrs have given 10. (Fig 2). Majority of respondents of all age groups except above 45 yrs have given 2, Whereas majority of respondents of above 45 yrs have given 4. (Fig 3). Majority of respondents of all age groups except above 45 yrs have given 2, Whereas majority of respondents of above 45 yrs have given 4. (Fig 4). Majority of respondents of all age groups except above 45 yrs have given 7 towards efficiency of Labour legislations in India in providing adequate bonus to industrial workers and majority of respondents of above 45 yrs have given 4. (Fig 5). The majority of respondents irrespective of their gender have given 2. (Fig 6). The majority of respondents irrespective of their gender have given 2. (Fig 7). Majority of respondents irrespective of their gender have given 7 towards efficiency of Labour legislations in India in providing adequate bonus to industrial workers. (Fig 8). The majority of the school level and UG respondents strongly agree to the statement "Providing for bonus intervenes with the profit of the organisation". Whereas PG and PhD respondents have been neutral to it. (Fig 9). The majority of respondents of school level, UG, PG have given 2, whereas PhD have given 1. (Fig 10). The majority of respondents irrespective of their educational qualification have given 2. (Fig 11). The majority of respondents of Public sector, Private sector and Self employed strongly agree to the statement whereas yet to be employed and others are neutral towards it. (Fig 12). The majority of the respondents belonging to all occupations have given 2.

**VI. DISCUSSION**

The Payment of Bonus Act was enacted for the purpose of providing bonus to the industrial workers based on the profit earned by the organisation. The main purpose of the Act itself was to provide bonus based on profits, However, the total majority have a neutral opinion on the same while a few have clearly disagreed with it implying that providing for bonus does not interfere with the profit of the organisation. The respondents agree that the final decision of whether to pay an employee bonus or not should vest upon the employer. The analysis of the graphs also indicate and majorly think that the labor legislation in India actually does provide for adequate bonus to the employees who are covered under the Payment of Bonus Act. Although this is a close call, as a high number of respondents still think that the labor laws in India do not actually provide for adequate bonus. The respondents in this graph agree that the Payment of Bonus Act has definitely aided the economic growth of the country as the payment of bonus act has mandated statutory bonus, inturn increasing the standard of living for all, especially the lower classes of the population. The views of the



respondents show that the labor legislation in India provides for adequate bonus as the bonus provided by the legislation was priorly calculated and further recently revised in order to be sufficient to the employees.

### **Limitation**

One of the major limitations of the study is the sample frame. There is a major constraint in the sample frame as the data was collected only from the respondents because of a particular area. So, it was difficult to extrapolate it to a larger population and also that the actual and clear opinions of people remained unexpressed. Another limitation is the sample size of 226, which cannot be used to assume the thinking of the entire population in a particular country, state, or city. The physical factors have a larger impact, thus, limiting the study.

### **Suggestions**

Bonus should be such that it provides Measure success, Link to profitability, Solicit employee feedback, Make the program transparent, Make the amount of a potential bonus unlimited. The act has provided for a bonus which has increased the standard of living of all of the employees and workers, thus aiding the growth of the country's economy as a whole. They further think that the employer must be provided with more rights regarding the payment of bonus to his employees, as he must be the one that must make decisions regarding the payment of bonus to his employees considering their productivity and involvement. If you put limits on bonus maximums, "that's the maximum employees are going to work.

## **VII. CONCLUSION**

In a short span of thirty years or less, the concept of bonus has undergone several changes. The initial confusion of whether it was payable in the absence of profit or partook in the nature of any link with wages was cleared by the Supreme Court. The introduction of the concept of minimum bonus when there was no allocable surplus put a stamp of legislative sanction to the claims of labor that bonus was deferred wage. This paper shows that the sample population from whom the responses were collected think that the enactment of the Payment of Bonus Act has played a major role in the growth of the economy of the country. The act has provided for a bonus which has increased the standard of living of all of the employees and workers, thus aiding the growth of the country's economy as a whole. They further think that the employer must be provided with more rights regarding the payment of bonus to his employees, as he must be the one that must make decisions regarding the payment of bonus to his employees considering their productivity and involvement.

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