LawStories

Labour Law II

Q&A Exam Guide · Part C

Semester 4 · Year 2

3 Year LLB Degree Course · Osmania University, Hyderabad

Code on Wages 2019 | Payment of Bonus | Full Bench Formula

Employees Compensation | ESI Act 1948 | Provident Fund | Maternity Benefit

Gratuity | Child Labour | Social Security

16 Papers Analysed · 65 Model Answers · 10 Stock Part C Problems

PYQ Anchored · Case Verified · Problem Solved

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LL2 Part C: Problem Questions

All Units | Sorted by Frequency

Page target per problem: 2 to 2.5 pages (600-750 words)
Format: IRAC — Issue | Rule | Application | Conclusion
Each problem includes the examiner's expected ask and the section number to anchor the answer.

Unit 1 — Wages

Worker Agrees to Work Below Minimum Wages ★★★ BACKBONE

Freq: 4 times | Sections 13 and 45 Code on Wages 2019 | Art 23 Constitution

Opening line to write:
The question raises the issue of whether an agreement between an employer and an employee to accept wages below the statutory minimum rate is legally valid under the Code on Wages, 2019.

Issue
Whether an express or implied agreement between employer and employee to accept wages below the notified minimum rate is enforceable.

Rule
Section 13 of the Code on Wages, 2019 declares that any contract or agreement, whether made before or after the commencement of the Code, whereby an employee relinquishes or reduces the right to a minimum rate of wages or any privilege or concession accruing under the Code, shall be null and void to the extent it purports to reduce the minimum rate of wages fixed under the Code. The Constitution reinforces this: in People's Union for Democratic Rights v Union of India (1982), the Supreme Court held that payment below minimum wages constitutes forced labour under Article 23 of the Constitution. The Court reasoned that a worker who accepts sub-minimum wages does not do so by free consent — poverty vitiates consent, making the acceptance no different from compelled labour. The effect is that the agreement is void both under statute and void as against the Constitution.

In Crown Aluminium Works v Their Workmen (1958), the Supreme Court laid down the complementary principle: an employer who cannot afford to pay minimum wages has no right to engage labour. Capacity to pay is entirely irrelevant to the minimum wage obligation. In Bijay Cotton Mills v State of Ajmer (1955), the Court had already held that the Minimum Wages Act is a constitutionally valid reasonable restriction on the freedom to carry on trade under Article 19(6); the legislature's power to fix minimum wages is beyond challenge.

Application
Apply the facts to Section 13. The agreement (written or oral, express or implied) is void to the extent it reduces wages below the notified rate. The employer cannot plead: the worker agreed, the factory is running at a loss, the industry cannot sustain minimum wages, or that the worker was contractually engaged at a lower rate. None of these defences survive Section 13 or the PUDR constitutional bar.

The worker is entitled to the difference between the minimum wage notified for that scheduled employment and the wages actually paid, for the entire period of underpayment. Under Section 45, the worker may file a claim within one year of the default before the authority appointed by the appropriate Government. The authority may direct payment of the arrears plus compensation not exceeding ten times the amount of underpayment. The burden of proof under Section 45 is reversed: the employer must prove that minimum wages were in fact paid.

Conclusion
The agreement is void. The worker is entitled to full arrears of minimum wages plus compensation. The employer is liable to a fine not exceeding Rs 50,000 for a first offence; repeat offenders face enhanced fines plus imprisonment up to three months.

[!memory] PUDR + Section 13 + Crown Aluminium: three-layer protection
Statute: agreement void (S.13). Constitution: forced labour (Art.23, PUDR 1982). Capacity: irrelevant (Crown Aluminium 1958). All three always cited together in Part C answers on this fact pattern.

Deduction of Fine from Wages ★★ HIGH

Freq: 2 times | Section 18 Code on Wages 2019

Opening line:
The question involves whether the employer's deduction of a fine from the worker's wages is a lawful authorised deduction under the Code on Wages, 2019.

Issue
Whether the deduction of a fine is lawful and, if not, what remedy is available to the worker.

Rule
Section 18 of the Code on Wages, 2019 provides a closed and exhaustive list of authorised deductions. A deduction by way of fine is permissible only if five cumulative conditions are satisfied: (1) the act or omission in respect of which the fine is imposed is one specified in a notice displayed on the premises of the establishment; (2) the employee in question is not under fifteen years of age; (3) the fine is reasonable; (4) the fine does not exceed three per cent of the wages payable to the employee in respect of that wage period; and (5) the amount of fines is applied to purposes beneficial to the employees of the establishment, not retained by the employer.

In Deena Nath v National Fertilizers Ltd (1992), the Supreme Court held that Section 18 is mandatory and cannot be contracted out of. The employee's consent to a deduction not in the closed list does not validate it. Structural inequality between employer and employee means consent cannot be treated as genuinely voluntary.

In Hindustan Times Ltd v Their Workmen (1963), the Supreme Court held that a deduction for damage to goods requires two conditions: proof of the employee's negligence and a prior show cause opportunity. Without both, the deduction is unauthorised even if the damage is genuine. This principle applies by analogy to fine deductions: procedural compliance is mandatory, not optional.

Application

Check each of the five conditions against the facts. If the displayed notice condition is not met: deduction fails. If the employee is under fifteen: deduction fails. If the fine exceeds three per cent: deduction fails to the extent of the excess. If the fine amount was retained by the employer rather than applied to employee benefit: deduction fails. Any single failure renders the entire deduction unauthorised. Worker may file claim under Section 45 within one year for refund plus compensation.

Conclusion

If all five conditions are met: deduction lawful. If any condition is unmet: deduction unauthorised. Worker recovers full deducted amount plus compensation under Section 45.

Unit 2 — Bonus

Employee Dismissed for Misconduct Claims Bonus ★★ HIGH

Freq: 2 times | Code on Wages 2019 Bonus provisions | formerly Payment of Bonus Act 1965 Section 9

Opening line:

The question turns on whether an employee who has been dismissed for misconduct is disqualified from receiving the statutory bonus for the accounting year in which the dismissal occurred.

Issue

Whether dismissal for misconduct forfeits the employee's right to bonus under the Code on Wages, 2019.

Rule

The bonus provisions of the Code on Wages, 2019 prescribe three and only three grounds on which an employee is disqualified from receiving bonus: (1) dismissal for fraud; (2) dismissal for riotous or violent behaviour on the premises of the establishment; and (3) dismissal for theft, misappropriation, or sabotage of any property of the establishment. The disqualification grounds are exhaustive. Ordinary misconduct — habitual absenteeism, insubordination, poor performance, use of intemperate language, negligence — does not attract disqualification.

In Jalan Trading Co v Mill Mazdoor Sabha (1966), the Supreme Court held that minimum bonus is an absolute statutory debt once the eligibility conditions are met. The employer has no discretion to withhold or reduce it on grounds not specified in the statute.

Application
Examine the facts to identify which category of misconduct triggered the dismissal. If the dismissal is for fraud, riotous/violent behaviour, or theft/sabotage of establishment property: the employee is disqualified for that accounting year. If the dismissal is for any other misconduct: the disqualification provision does not apply, and the employee retains the right to bonus for the days of eligible service before dismissal. Eligibility requires 30 actual working days of employment in that accounting year and wages not exceeding Rs 21,000 per month.

Conclusion
Ordinary misconduct: bonus entitlement intact for days of eligible service. Three qualifying grounds: disqualified for that accounting year. Employer must pay minimum 8.33% for the eligible period unless statutory disqualification applies.

Unit 3 — Social Security

Worker Injured While Commuting to Work ★★★ BACKBONE

Freq: 5 times | Section 3(1) Employee's Compensation Act 1923

Opening line:
The question involves whether an accident suffered by an employee while travelling to work falls within the scope of employer's liability under the Employee's Compensation Act, 1923.

Issue
Whether a commuting accident is an accident 'arising out of and in the course of employment' under Section 3(1).

Rule
Section 3(1) of the Employee's Compensation Act, 1923 imposes liability on the employer where personal injury is caused to an employee by accident arising out of and in the course of employment. Both limbs must be satisfied simultaneously. 'In the course of employment' requires the accident to occur during working hours at the workplace or in circumstances connected to employment. Ordinarily, the journey to work is outside the course of employment because it occurs on public roads under the worker's own control.

However, the doctrine of notional extension, confirmed by the Supreme Court in Smt Kamla v Chairman APSRTC (2005), extends the course of employment to cover commuting within a reasonable distance and time, provided the journey is on a reasonably connected route and the purpose of the journey is to reach the workplace. The doctrine recognises that the boundary of the workplace cannot be reduced to the physical gate; the worker is in effect 'at work' from the moment the employment-connected journey begins. Three conditions determine whether notional extension applies: (1) the accident occurred on a reasonable route between home and the workplace; (2) it occurred within a reasonable time before or after working hours; and (3) the journey was connected to employment, not a personal detour.

Application
Apply the three-factor test to the facts. If all three are satisfied, the accident is within the course of employment and the employer is liable under Section 3(1). If the worker took a significant detour for personal purposes before the accident: the connection to employment is severed and notional extension does not apply.

For the 'arising out of' limb: the causal connection is satisfied if the employment placed the worker on that route at that time. In Saurashtra Salt Manufacturing Co v Bai Valu Raja (1958), the Court held that where employment exposes the worker to a particular risk, injury from that risk arises out of employment even if the risk is of a natural or general character.

Conclusion
Conditions satisfied: employer liable. Compensation computed as permanent total/partial or temporary disablement under Section 4. Detour for personal purpose: employer not liable.

Heart Attack at Work ★★ HIGH

Freq: 2 times | Section 3(1) EC Act 1923

Opening line:
The question is whether a heart attack suffered by an employee during working hours on the employer's premises constitutes an accident 'arising out of and in the course of employment' for purposes of compensation.

Issue
Whether a heart attack is compensable under the EC Act when the worker had a pre-existing cardiac condition.

Rule
In Mackinnon Mackenzie and Co v Ibrahim Muhammad Issak (1970), the Supreme Court held that for injury to 'arise out of' employment, it is sufficient that the employment was a contributing cause — it need not be the sole or dominant cause. Where the strain of work, physical exertion, heat, stress, or working conditions contributes to or accelerates a heart attack, the causal nexus is established. A pre-existing medical condition does not defeat the claim; the employer takes the worker as found, and if the employment accelerated or triggered an underlying condition, the injury arises out of employment.

The 'in the course of' limb is straightforwardly satisfied: the worker was at the workplace during working hours.

Application
Examine whether any aspect of the work conditions — physical exertion, heat, stress, extended hours, posture, working in a confined or high-temperature space — contributed to the heart attack. If yes: both limbs satisfied, employer liable. The contribution need only be real; it need not be the primary medical cause.

Conclusion
If work conditions contributed: employer liable for compensation. Pre-existing condition is not a complete defence. Employer must prove absence of any work-related contribution to escape liability.

Termination During Maternity Leave ★★★ BACKBONE

Freq: 4 times | Section 12 Maternity Benefit Act 1961

Opening line:
The question involves the legality of terminating an employee's services while she is on maternity leave or while she is pregnant.

Issue
Whether the employer's termination of a woman worker during maternity leave or pregnancy is lawful, and what remedies are available.

Rule
Section 12(1) of the Maternity Benefit Act, 1961 provides that it is unlawful for an employer to discharge or dismiss a woman during or on account of her absence during maternity leave. Section 12(2) extends this protection to any dismissal during pregnancy: if a woman would have been entitled to maternity benefit but for the dismissal, the dismissal is in contravention of the Act. The protection under Section 12 is absolute: no reason — redundancy, restructuring, financial difficulty, misconduct unconnected to employment — overrides it.

In Air India v Nergesh Meerza (1981), the Supreme Court held that service conditions terminating women on first pregnancy are unconstitutional, affirming that maternity protection is a constitutional guarantee under Articles 14 and 16. In Municipal Corporation of Delhi v Female Workers Muster Roll (2000), the Court confirmed that muster roll and casual workers are entitled to maternity benefit; the Act applies to all employed women, not only permanent staff.

Section 4(3) additionally prohibits assignment of arduous or physically demanding work or work requiring long hours of standing for approximately ten weeks before expected delivery.

Application
The termination during maternity leave or pregnancy violates Section 12. Reasons given by the employer (restructuring, redundancy, poor performance) provide no defence because Section 12's prohibition is unconditional during the protected period. The woman is entitled to: (1) full maternity benefit for the leave period; (2) any bonus or allowance that would have accrued but for the dismissal; and (3) reinstatement if she seeks it through appropriate proceedings.

Conclusion
Termination unlawful. Employer liable to imprisonment from three months to one year plus fine of Rs 2,000 to Rs 5,000. Woman entitled to full benefit plus restoration of employment status.

Employee with Less Than 5 Years Claims Gratuity ★★★ BACKBONE

Freq: 3 times | Sections 4(1) and 2A Payment of Gratuity Act 1972

Opening line:
The question turns on whether an employee who has not completed a full five calendar years of service is entitled to gratuity, with specific reference to the 240-day deeming provision under the Payment of Gratuity Act, 1972.

Issue
Whether an employee with 4 years and 240 days of service is entitled to gratuity.

Rule
Section 4(1) of the Payment of Gratuity Act, 1972 entitles an employee to gratuity on termination after five years of continuous service. Section 2A defines continuous service to include uninterrupted service and service interrupted by sickness, accident, leave, lay-off, lawful strike, or lockout. The deeming provision under Section 2A states that an employee who has actually worked for not fewer than 240 days in a year of twelve calendar months is deemed to have been in continuous service for that year. For underground mine workers and seasonal establishments the threshold is 190 days.

In Surendra Kumar Verma v Central Government (1980), the Supreme Court held that the 240-day deeming provision is a beneficial provision and must be liberally construed in favour of the employee. Interrupted service does not defeat the claim provided the 240-day threshold is met in each year.

Application
Four full years plus 240 days of actual work in the fifth year: the deeming provision applies. The fifth year is deemed complete. The five-year threshold is satisfied. The employee is entitled to gratuity.

Formula: (last drawn wages x 15 x 5) / 26. Part of a year exceeding six months counts as a full year under Section 4(2).

Conclusion
Entitled to gratuity. Computation at five years. Employer cannot refuse on the ground that the fifth calendar year was not completed.

Employee Dies After 2 Years of Service ★★ HIGH

Freq: 2 times | Section 4(1) proviso Payment of Gratuity Act 1972

Opening line:
The question involves whether the nominee of an employee who died after only two years of service is entitled to gratuity under the Payment of Gratuity Act, 1972.

Issue
Whether the five-year minimum service requirement applies where termination is due to death.

Rule
Section 4(1) of the Payment of Gratuity Act, 1972 establishes gratuity entitlement on termination after five years of continuous service. However, the proviso to Section 4(1) expressly states that the five-year requirement does not apply where the termination is due to death or disablement. This proviso is not a discretionary exception — it operates automatically. The nominee or legal heirs of a deceased employee are entitled to gratuity regardless of how short the period of service was.

Application

The employee died after two years of service. The proviso applies: no five-year threshold. The nominee is entitled to gratuity computed at: (last drawn wages x 15 x 2) / 26. The employer cannot refuse on the ground of insufficient service.

Conclusion

Gratuity payable to nominee. Computed on actual years of service. Employer's refusal is unlawful; nominee may apply to the Controlling Authority under Section 7.

Unit 5 — Working Conditions

Child Below 14 Employed in Factory / As Domestic Help ★★★ BACKBONE

Freq: 3 times | Section 3 Child Labour (Prohibition and Regulation) Act 1986 as amended 2016 | Article 24

Opening line:

The question raises the fundamental issue of whether employment of a child below the age of fourteen years in any occupation is permissible under Indian law after the 2016 Amendment to the Child Labour (Prohibition and Regulation) Act, 1986.

Issue

Whether the employer's act of employing a child below fourteen years constitutes a violation of the Child Labour Act and the Constitution of India.

Rule

Article 24 of the Constitution of India imposes an absolute prohibition on the employment of any child below the age of fourteen years in any factory, mine, or other hazardous employment. This is a directly enforceable fundamental right. Section 3 of the Child Labour (Prohibition and Regulation) Act, 1986 as amended by the Child Labour (Prohibition and Regulation) Amendment Act, 2016 extends this prohibition categorically to all occupations and processes without exception. The original 1986 Act had a two-track system permitting regulated child labour in non-hazardous occupations; the 2016 Amendment abolished this system entirely. Section 3 now reads: no child shall be employed or permitted to work in any occupation or process. The only exception is work in a family enterprise in a non-hazardous occupation during hours outside school hours — domestic work and factory work do not fall within this exception.

Post-2006, domestic work was added to the list of hazardous occupations. Post-2016, the distinction between hazardous and non-hazardous is irrelevant: all employment of children below fourteen is prohibited without exception in any commercial or non-family context.

In MC Mehta v State of Tamil Nadu (1996), the Supreme Court issued five directions for the enforcement of the prohibition: survey all child workers, withdraw children from hazardous work, require employers to pay Rs 20,000 per child into the rehabilitation fund, offer alternative employment to one adult family member per displaced child, and provide education to every withdrawn child.

Application
The employer employed a child below fourteen in the factory or as domestic help. Both fall within 'any occupation or process' under the post-2016 Section 3. The employment is absolutely prohibited. Parental consent, payment of wages, and claims of 'light work' are entirely irrelevant. The Act does not recognise 'mild' or 'non-hazardous' forms of child employment in a commercial context.

Conclusion
Employment is unlawful. Employer liable: first offence — imprisonment from six months to two years plus fine of Rs 20,000 to Rs 50,000. Repeat offence — one to three years imprisonment. Child to be withdrawn and referred to the Controlling Authority for rehabilitation and education. Employer must contribute Rs 20,000 to the Child Labour Rehabilitation Fund per MC Mehta direction.

Equal Pay — Woman Paid Less Than Male Colleague for Same Work ★★ HIGH

Freq: 2 times | Section 4 Equal Remuneration Act 1976 | Article 39(d)

Opening line:
The question involves whether an employer's payment of lower wages to a woman employee than to a male employee performing the same or work of a similar nature violates the Equal Remuneration Act, 1976.

Issue
Whether the wage differential based on sex is permissible under the Equal Remuneration Act, 1976.

Rule
Section 4 of the Equal Remuneration Act, 1976 requires that no employer shall pay remuneration to an employee at rates less favourable than those paid to employees of the opposite sex for the same work or work of a similar nature. Section 5 further prohibits discrimination against women in recruitment for the same or similar work. The test for 'same or work of a similar nature' is determined by examining the skill required, the effort involved, and the responsibility entailed — it is a test of substance, not designation. Minor differences in duties that do not alter the fundamental character of the work do not justify a pay gap.

In Randhir Singh v Union of India (1982), the Supreme Court elevated equal pay for equal work from a directive principle under Article 39(d) to an enforceable right under Article 14. The State cannot pay different wages for identical work performed by employees of different sexes; gender alone is not a rational basis for wage differentiation.

Application
The woman and male colleague perform the same or similar work as determined by the skill-effort-responsibility test. The wage differential is based solely or substantially on sex. Section 4 is violated. The employer bears the burden of establishing a non-gender-based justification for any wage difference; if no such justification exists, liability is established.

Conclusion

Wage differential unlawful under Section 4. Woman is entitled to wages at the same rate as the male comparator for the entire period of underpayment. Employer liable to fine up to Rs 10,000 or imprisonment up to one year or both.

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