

ECONOMY

Employers, workers left in a quandary

Cheques may force employers to grant statutory benefits

The sudden demonetisation policy and the consequent cash crunch have resulted in unusual repercussions for employers and wage workers.

Employers are worried that once the wages of the seasonal, migrant, casual, temporary workers – whom they usually hire without a legal contract – are paid through cheque or direct deposits in bank accounts, it could be treated as ‘proof of employment’. This could then help such workers to claim that they should technically be considered as part of the payroll and be made eligible for statutory benefits.

On the other hand, labourers, many of whom belonging to the Below Poverty Line (BPL) category, fear that they might lose various benefits provided by the government for the poor (including food security-related, pension, medical treatment, as well as benefits meant for the girl child and economically weaker sections) if it is found that the wages getting credited in their bank accounts are more than the stipulated income thresholds for availing such benefits.

Employment proof

Wage payment in cash meant employers and workers did not have to lose sleep over such concerns before the demonetisation exercise. These apprehensions were voiced by representatives from various export segments, including from labour-intensive sectors such as agriculture, leather, textiles, carpets, handicrafts and engineering, during a meeting with the commerce ministry officials on Tuesday, official sources told *The Hindu*.

Out of India’s total workforce of about 474 million, about 75 per cent do not have written legal contracts and about 80 per cent do not get any social security benefits. “The demonetisation policy has severely affected the workers covered by the cash



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economy,” said K.R. Shyam Sundar, professor, Human Resource Management, XLRI.

“If the situation leads to workers getting paid only through their bank accounts, they can show that as ‘proof of employment’ to claim statutory benefits including those related to the Employee’s State Insurance Corporation (ESIC), Employees’ Provident Fund (EPF), accident compensation and maternity.”

He added that in the long-term, trade unions can take this as an agenda for further agitation to regularise wage payments across the country.

Short-term focus

However, Mr. Sundar said, workers generally consider only short-term benefits, and to ensure more disposable income with them, they tell their employers not to pay them wages through cheque or through the banking channel as they do not want any deductions from their wages or salary towards EPF and ESIC benefits. Moreover, since most of these workers constantly shift places of work, contractors and employers, they also do not trust the EPF and ESIC systems and prefer cash payments.

Anjali Bhardwaj, founder of the NGO ‘Satark Nagrik Sangathan’, said demonetisation and the ensuing wage payments through the banking channel could lead to discussions on whether there is under-reporting of wages and if some workers with higher wages would lose benefits granted by the government including under the Food Security Act.

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