



CLARIFICATION REGARDING PAYMENT OF BONUS TO CONTRACT LABOURERS

Introduction

The Office of the Secretary-cum-Labour Commissioner, Government of National Capital Territory (“**NCT**”) of Delhi has issued clarification in the form of Advisory dated 18 October 2018 bearing No.F.137/Addl.LC/Lab./Advisory/Bonus/2018/3082. The advisory circular clarifies the issue regarding the responsibility of payment of bonus by contractors and principal employers to contract labourers employed by private establishments and Government Departments of NCT, Delhi.

Issue

An estimate of 35,000 workers and employees engaged by the various government departments in NCT, Delhi are through contractors. There have been complaints regarding the non-payment of bonus by the contractors to the outsourced employees.

Clarification

The advisory circular clarified the following:

- Payment of Bonus Act, 1965 (“**Bonus Act**”) is applicable to all private establishments and establishments set up by the State Government, who employ 20 or more workers on any day during an accounting year.
- Minimum bonus payable is 8.33% of the basic and dearness allowance paid to the employees/ workers. This amounts to roughly one month’s salary of an employee / worker. (Section 10 of the Bonus Act)
- Bonus is payable within 8 months of the close of the accounting year, however it is customary to pay bonus before the festival of Deepawali. (Section 19 of the Bonus Act)
- All contractor establishments are covered under Bonus Act provided they employ 20 or more workers on any day during the accounting year.

- It is the statutory responsibility of the contractor to pay such bonus to contract employees, as they are the employers for such contract employees.
- The contractors will be held liable for prosecution in case of any default in payment of bonus to the contract employees. (Section 28 of the Bonus Act)
- Additionally, the amount of bonus due can be recovered as arrears in land revenue under section 33(C)(1) of the Industrial Dispute Act, 1947.
- The provisions of the Contract Labour (Regulation and Abolition) Act, 1970 cast a responsibility upon the principal employer to ensure compliances of the applicable labour laws by their respective contractors.
- All the principal employers are urged to ensure disbursement of bonus to contract labourers by their contractors during the festival season of Deepawali.

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