



CIVIL

Workers' Entitlement To Bonuses: Overruling Charitable Trusts' Objections

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In a judgment delivered in the matter of *The Management of Worth Trust vs. The Secretary, Worth Trust Workers Union*^[1], the Supreme Court of India reiterated the rights of workers under the Payment of Bonus Act, 1965, by ruling that factories run by charitable trusts cannot deny bonuses to their workers. This decision is significant as it reinforces the principle that workers' entitlement to bonuses is a statutory right that cannot be circumvented by the nature of the establishment they work for.

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Background of the Case

The case involved the WORTH Trust, initially established as a charitable institution under the Swedish Red Cross Rehabilitation Trust. Prior to 1985, the trust was involved in charitable activity, including the rehabilitation of leprosy-cured patients and other specially abled persons. Over time, the trust transitioned into a commercial venture, engaging in the manufacturing and sale of automobile parts and other equipment. Despite generating profits, the trust argued that it should be exempt from paying bonuses to its workers under the Payment of Bonus Act, 1965, citing its charitable status.

Supreme Court's Ruling

The Supreme Court dismissed the appeal of the WORTH Trust, upholding the award of statutory bonuses to the workers. The Court held that the trust could not claim exemption under Section 32(v)(a) or (c) of the Bonus Act. As per Section 32 of the Payment of Bonus Act, 1965^[2], the provisions of the Act do not apply to employees employed by the Indian Red Cross Society or any other institution of a like nature (including its branches) or institutions (including hospitals, chambers of commerce and social welfare institutions) established not for purposes of profit. An exception under the provisions of the Payment of Bonus Act, 1965 shall only be provided under the said circumstances where the employees are a part of charitable institutions.

It was noted that the trust had severed all its links with the Swedish Red Cross Society and had transitioned into a commercial venture by 1985. The Court emphasized that the mere continuation of some charitable activities did not exempt the trust from its obligations under the Bonus Act.

The Court further clarified that the payment of ex gratia (voluntary payment) could not replace the statutory mandate to pay bonuses. It held that the trust was running factories employing more than ten workers, which brought it under the purview of the Factories Act, 1948, and consequently, the Payment of Bonus Act. The Court directed the trust to pay the minimum bonus of 8.33% of annual earnings to its workers from the year 1996-1997 onwards.

Implications of the Judgment

This judgment has far-reaching implications for workers' rights and the applicability of labor welfare laws. It establishes that the nature of the establishment, whether charitable or otherwise, does not override the statutory rights of workers to receive bonuses. The Court's emphasis on the distinction between charitable activities and commercial ventures ensures that workers are not deprived of their rightful benefits simply because their employer is a trust.

Moreover, the ruling shows the need for adhering to labor laws, even when an establishment has a dual purpose of charity and commerce. It is a reminder to all employers that the payment of bonuses is a statutory duty and cannot be substituted by voluntary payments.

Conclusion

The Supreme Court's judgment in the WORTH Trust case reaffirms the rights of workers under the Payment of Bonus Act, 1965. It highlights the need for a clear distinction between charitable activities and commercial operations and ensures that workers' entitlement to bonuses is not compromised. This decision is a significant step towards safeguarding workers' rights and maintaining the integrity of labour welfare laws in India.

[1] 2025 INSC 432

[2] Payment of Bonus Act, 1965 (Act 21 of 1965) s. 32.