



# ELP update: Code on Wages Bill 2019 approved in Lok Sabha

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With a view to boost labour reforms, the Code on Wage Bill 2019 was passed in Lok Sabha on July 30, 2019 (the **Code**). The Code subsumes relevant provisions of the Minimum Wages Act, 1948, the Payment of Wages Act, 1936, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976. After the enactment of the Code, all these four legislations will get repealed.

## The salient features of the Code are as under

- [Universalization of Minimum Wages](#): Presently only those persons who are employed in scheduled employment are eligible to receive minimum wages under the Minimum Wages Act, 1948. Also, the regulations governing the payment of wages as prescribed under the Payment of Wages Act, 1936 are only applicable to employees earning less than INR 24,000/- per month. This covers only 40% of the workforce in India. The Code proposes to expand the applicability to 100% of the workforce irrespective of the nature of the employment, industry or the wages earned.
- [Computation of Minimum Wages](#): Under the Minimum Wages Act, 1948, the minimum wages are fixed based on the type of employment. However, this concept has been done away with in the Code. Under the Code, the Central Government is required to fix minimum wages after taking into account minimum living standards and the skill and difficulty of work. These minimum wages can be different for different geographical areas.
- [Prohibition on 'contracting out'](#): Under the Code, no employee can relinquish his right to receive the bonus amount. Many organizations resort to 'contracting out' of statutory obligations to reduce the monetary burden. Many employees have unequal bargaining power, and this move of the Government will certainly go a long way in safeguarding employee interest. A similar provision can be introduced in Employees' Provident Fund & Miscellaneous Provisions Act, 1952 to safeguard social security payments by the employers.
- [Discrimination on ground of gender](#): The Code prohibits gender discrimination amongst employees in matters relating to wages by the same employer and in respect of the same work or work of a similar nature done by any employee. Two employees will be said to be performing work of similar nature if the work involves similar experience, set of skills and effort required to complete the task.
- [Deduction from the Wages](#): The Code provides for deductions which are permitted to be made from wages. These include deductions for fines, absence from duty, damages or loss of goods, loans and advances etc. However, at no point of time can the deductions exceed 50% of the wages of the employee.
- [Inspection Process](#): Many changes have been introduced in the inspection regimes including introduction of a web based randomized inspection scheme, jurisdiction-free inspections, requesting information electronically for inspection, composition of fines in cases of non-compliance, etc.
- [Opportunities for Women](#): The Code envisages formation of the State Advisory Board by each State Government which will consist of a minimum of 1/3<sup>rd</sup> women members for advising, inter alia, on providing increasing employment opportunities for women and exploring the extent to which women may be employed in various establishments or employments.

## ELP comments

- This streamlining of wage related labour laws is a welcome move. It will not only provide minimum wage protection to sectors which were previously not covered, such as Information Technology (IT) and IT Enabled Services (ITeS) sectors but will also provide clarity on implementation of wage policies leading to reduction in disputes. The amalgamation of the four legislations is an endeavor to remove multiplicity of concepts and definitions which will help in ensuring transparency and accountability in the long run.
- The statutory protection against delayed payment of wages is now extended to the entire workforce. This was much needed as many employees were subjected to non-payment or delayed payment of wages over the years.

- Also, computation of minimum wages based on living conditions takes a more realistic approach which is likely to extend quality living conditions to a much larger workforce. The non-discrimination requirement is a much-needed progressive move for the country.
- The Code also envisages appointment of Inspector cum Facilitator, who will not only be responsible for enforcing the provisions of the Code but also advise the employers and the employees on compliance requirements. Given the complexities of the prevailing labour laws, it is an encouraging move to appoint a facilitator to provide guidance of compliance requirements.
- The Code also extends the limitation period for filing proceedings from six months to three years, giving sufficient time to the aggrieved employees to be educated about their statutory rights.

We trust you will find this an interesting read. For any queries or comments on this update, please feel free to contact us at [insights@elp-in.com](mailto:insights@elp-in.com).

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