

The Code on Wages Bill, 2017

September 9, 2017

In brief

In keeping with its objective to streamline the labour laws in India, the Central Government introduced the Code on Wages Bill, 2017 in the Lok Sabha on 10 August, 2017. The Bill consolidates laws relating to wages by replacing: (i) the Payment of Wages Act, 1936, (ii) the Minimum Wages Act, 1949, (iii) the Payment of Bonus Act, 1965 and (iv) the Equal Remuneration Act, 1976.

In detail

Background

One of the biggest issues faced by employers in India is the myriad of laws governing the employer-employee relationship. This issue has been on the government's radar for a while now and taking the first step towards reduction in number of labour laws in India, the government introduced The Code on Wages Bill, 2017 (Code). The Bill consolidates laws relating to wages by replacing: (i) the Payment of Wages Act, 1936, (ii) the Minimum Wages Act, 1949, (iii) the Payment of Bonus Act, 1965 and (iv) the Equal Remuneration Act, 1976.

The Code will be applicable to establishments where any industry, trade, business, manufacturing or occupation is carried out. For fixing wages, the appropriate authority for taking decisions would be

- (i) Central Government for, *inter alia*, (a) establishments carried on by or under the authority of the Central Government, (b) public sector undertakings/

corporations/ companies formed under the Central Act and their respective subsidiaries; and (c) autonomous bodies;

- (ii) State Government for all other establishments.

Minimum wage

Under the Code, the Central Government may fix a national minimum wage (NMW) and may also fix different national minimum wages for different states or geographical areas. The NMW will be the floor for State Governments to set the minimum wage in their respective states.

The Code requires employers to at least pay minimum wage to employees. The terms "wages," includes salary, allowance, or any other component expressed in monetary terms, but does not include, *inter alia*, bonus payable to employees and travelling allowance. In a big push to digital transactions, the Code recognises digital and electronic payments as a mode of payment of wages. The wages can be paid on daily, weekly, fortnightly or monthly basis.

Bonus

Under the Code, the employer is required to pay employees an annual bonus of at least: (i) 8.33% of their wages, or (ii) INR 100, whichever is higher. The ceiling regarding eligibility of employees to be paid this bonus would be notified by the Central/ State Government. Further, the Code requires the employers to distribute a part of the gross profits amongst the employees (allocable surplus). The Code provides a ceiling on the maximum bonus payment to an employee, i.e., 20% of the wages earned by the employee.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact your local PwC advisor

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