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Draft Rules for Code on Wages Act 2019

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Why in News

Recently, the **Ministry of Labour and Employment** has published the draft rules framed for the implementation of the **Code on Wages Act, 2019**.

The new draft rules have been circulated afresh for **public comments and suggestions for a period of 45 days** from the date of publishing, 7th July 2020.

Key Points

The latest draft rules are **similar to the preliminary draft published in November 2019** with **one major change**.

- The Ministry has **changed the work requirement for eligibility for minimum wages and other benefits from nine hours to eight**.
- The latest draft clarified the issue as the nine hours mentioned **earlier included one hour of rest**, which has **now been mentioned separately** from the eight working hours.

Code on Wages Act 2019

- Aims to **transform the old and obsolete labour laws** into **more accountable and transparent** ones and seeks to pave the way for the **introduction of minimum wages and labour reforms** in the country.
- **Removes the multiplicity of wage definitions**, which can significantly reduce litigation as well as compliance cost for employers.
- **Regulates the wages and bonus payments** in all employments where any industry, trade, business, or manufacturing is being carried out.
- **Links minimum wage** across the country to the **skills of the employee** and the **place of employment**.

It simplifies the methodology to fix minimum wage by **doing away with the 'type of employment'**.

- It seeks to **universalise the provisions of minimum wages and timely payment** of wages to all employees irrespective of the sector and wage ceiling.
 - It seeks to ensure '**Right to Sustenance**' for every worker and intends to **increase the legislative protection of minimum wage**.
 - Employees getting **monthly salary** shall get the salary by **7th of next month**, those working on a **weekly basis** shall get the salary on the **last day of the week** and **daily wagers** should get it on the **same day**.
- The **Central Government is empowered to fix the floor wages** by taking into account the living standards of workers. It may set different floor wages for different geographical areas.
 - The **minimum wages** decided by the central or state governments **must be higher than the floor wage**.
 - Under the Constitution of India, **labour** is a subject in the **Concurrent List of the Seventh Schedule** where both the Central and State Governments are competent to enact legislation.
- **Calculation of Minimum Wage:**

According to the draft rules, the **basis for calculating the minimum wage** would be a standard working-class family of one earning worker, a spouse and two children, a net intake of 2,700 calories per day each, 66 metres of cloth per year, rent expenditure equal to 10% of the food and clothing expenditure, fuel, electricity and other miscellaneous expenses of 20% of minimum wage and expenditure on children's education, medical care, recreation and contingencies amounting to 25% of the minimum wage.
- It subsumes the **following four labour laws:**
 - The Payment of Wages Act, 1936.
 - The Minimum Wages Act, 1948.
 - The Payment of Bonus Act, 1965.
 - The Equal Remuneration Act, 1976.
- The Centre shall constitute a **technical committee** which would **advise on the skill categories**, while an **advisory board may recommend the minimum wage**.

Types of Wages

- **Minimum Wage: International Labour Organisation** defines it as "the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract".

The minimum wage includes the bare needs of life like food, shelter and clothing.

- **Living Wage:** It is the wage needed to provide the minimum income necessary to pay for basic needs based on the cost of living in a specific community.

In addition to bare needs, a 'living wage' includes education, health, insurance, etc.

- **Fair Wage:** A 'fair wage' is a mean between 'living wage' and 'minimum wage'.
- **Starvation Wage:** It refers to the wages which are insufficient to provide the ordinary necessities of life.

Source: TH