



The Code on Wages Bill

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Recently, the **Lok Sabha** has passed the **Code on Wages Bill, 2019**.

The Code on Wages Bill was earlier introduced in Lok Sabha in 2017 and was referred to the **Parliamentary Standing Committee** which submitted its report in December 2018. However, owing to the dissolution of 16th Lok Sabha, the Bill lapsed.

Constitutional Provisions

- The **Article 43 of the Constitution of India** states that the state shall endeavor to secure by suitable legislation or economic organization or in any other way to all **workers a living wage, conditions of work ensuring a decent standard of life** and full enjoyment of pleasure and social and cultural opportunities.
- Under the Constitution of India, **Labour is a subject in the Concurrent List of the Seventh Schedule** where both the Central & State Governments are competent to enact legislation.

Need

- To **streamline the definition of wages** as present labour laws consist of 12 different definition of wages which is the major cause of litigation and inefficiency in the implementation of labour laws.
- The definition has been simplified and is expected to **reduce litigation and will entail at a lesser cost of compliance** for an employer.
- An establishment will also be benefited as the number of registers, returns, forms, etc., not only can be electronically filed and maintained, but it is envisaged that through rules, **not more than one template will be prescribed**.

Highlights of the Bill

- The bill 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**.

- It regulates the wages and bonus payments in all employments where any industry, trade, business, or manufacturing is being carried out.
- The bill **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.
- It universalizes the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling and seeks to **ensure "Right to Sustenance" for every worker** and intends to increase the legislative protection of minimum wage.
- It has been ensured in the bill that 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 provisions of the bill will apply to all the employees.
 - At present, the provisions of both the Minimum Wages Act and Payment of Wages Act apply on workers **below a particular wage ceiling working in Scheduled Employments** only.
 - Many unorganized sector workers like agricultural workers, painters, persons working in restaurants and dhabas, chowkidars, etc. who were out of the ambit of minimum wages will get legislative protection of minimum wages after the bill becomes an Act.
- 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.

Wages

- According to the bill, **wages** include salary, allowance, or any other component expressed in monetary terms. This does not include bonus payable to employees or any traveling allowance, among others.
- **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”. Or, 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’.

- It simplifies the methodology to fix minimum wage by **doing away with the “type of employment” as one criterion**. The minimum wage fixation would **primarily be based on geography and skills**.
- In order to **ensure transparency and accountability**, the bill seeks to reform the inspection regime by **introducing web based random computerised inspection scheme, jurisdiction-free inspections**, calling of information electronically, the composition of fines, etc.
- To streamline the claims of workers, the limitation period for filing claims for minimum wages, bonus, equal remuneration has been raised to 3 years.
- It prohibits gender discrimination in matters related to wages and recruitment of employees for the same work or work of similar nature.

Impact

- It seeks to **reduce compliance costs** for employers.
- It is expected to **reduce litigation** as it streamlines the definition of wages.
- It will **substantially reduce the number of minimum wages** in the country from the existing more than 2000 rates of minimum wages.
- This would ensure that **every worker gets a minimum wage** which will also be accompanied by an increase in the purchasing power of the worker thereby giving a fillip to growth in the economy.

Source: PIB