

A DIAGRAMMATIC REPRESENTATION OF NEW WAGE CODE 2020: ILLUSTRATED
CRITICALLY

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ABSTRACT

The Wage Code 2019 where intended to give the minimum wages the legislative protection along with transforming the labour laws to be more acceptable and transparent the Draft Code on Wages Rules 2020 look forward to fix a national floor minimum wage. Through the paper we have provided brief information and a comparative study in between the Wage Code 2019 and the new Wage Code 2020.

Keywords:- The Code of Wages, Parliament of India, The Payment of Wages Act, The Minimum Wages Act, The Payment of Bonus Act, The Equal Remuneration Act, The Draft Code on Wages (Central) Rules, The Ministry of Labour and Employment, National floor minimum wage, bonus payment, salary impact.

RESEARCH OBJECTIVES:-

- To provide a brief knowledge about the Wage Code 2019 and the new Wage Code 2020.
- To compare between the old and new Wage Code.
- To highlight the positive sides of the new code of wages.
- To illustrate the salary benefits of the employee.
- To show how the new wage bill will impact on the salary.

RESEARCH METHODOLOGY

Research methodology is a specific procedure or technique used to identify, select, process and analyze information about a topic.

Research methodology is of two types:

- **Primary Research:** Primary research methodology is defined as a methodology used by researchers to collect data directly, rather than depending on data collection from previously done research. It is done by interviews, online surveys, observations etc.
- **Secondary Research:** Secondary research methodology defined as a methodology involved in already existing data. It includes research materials published in research reports and similar documents.

Tool of Research: We have used Secondary Research Methodology. As secondary research methodology involves data that has been collected by or made by somebody else previously so it is called "Past Data" and is accessible via past researches, government records, various online offline resources. It involves reanalysing, interpreting or reviewing past data. We use this as we want the previously collected information to inform our current research.

Sources of Research: We have relied upon external sources such as following: -

- Newspapers Articles
- Government Reports
- Recognised Think Tanks Reports
- Research Journals and Statistical Reports.

INTRODUCTION

In order to bring together India's 44 Labour Laws into four codes so that labour laws can be more rationalized, our Honorable Prime Minister Narendra Modi considered a plan in 2015. The Code on Wages, 2019 or the Wage Code is that Act of Parliament of India which brings together the provisions of four labour laws that impacted with the wages. The Act also plays an important role in making the minimum wages generalized. The Wage Code replaces the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976. Now under the Code of Wages 2019 the Ministry of Labour and Employment has notified the Draft Code on Wages (Central) Rules 2020 that aims to fix the

national floor minimum wage based on the minimum living standard including fooding, clothing, housing and other factors offered by the government.

Comparative study of wage code 2019 and code on wages 2020

[Subject]	[Code on Wages 2019]	[Code on wages 2020]
1. Manner of calculation of minimum wages.	a) A basic rate of wages with or without the cost of living allowance, the cash value of the concession in respect of supplies of essential. b) An all-inclusive allowing for the basic rate, the cost of living allowance and the cash value of the concessions.	a) Standard working class family that compromise of 4 members. b) Expenses on utility, healthcare, education, recreation, etc.
2. Norms for fixation of minimum wage rate	a) The Central or State governments can fix factors by which minimum wages will be determined for different types of work. b) The code specifies certain factors including skills required, difficulty of work assigned and geographical location.	Central government to divide the concerned geographical area into metropolitan, non-metropolitan and rural area. (b) Central government also categorise employee occupations into un skilled, high skilled and semi-skilled
3. Working hours & Rest day	a) The Central or the State government can fix the number of hours of a normal working day.	a) Normal working day to be of 8 hours of work with a rest period of 1 hour. b) Employee to be allowed a day of rest every week, preferably Sunday, but the employer can fix any other day as a weekly rest

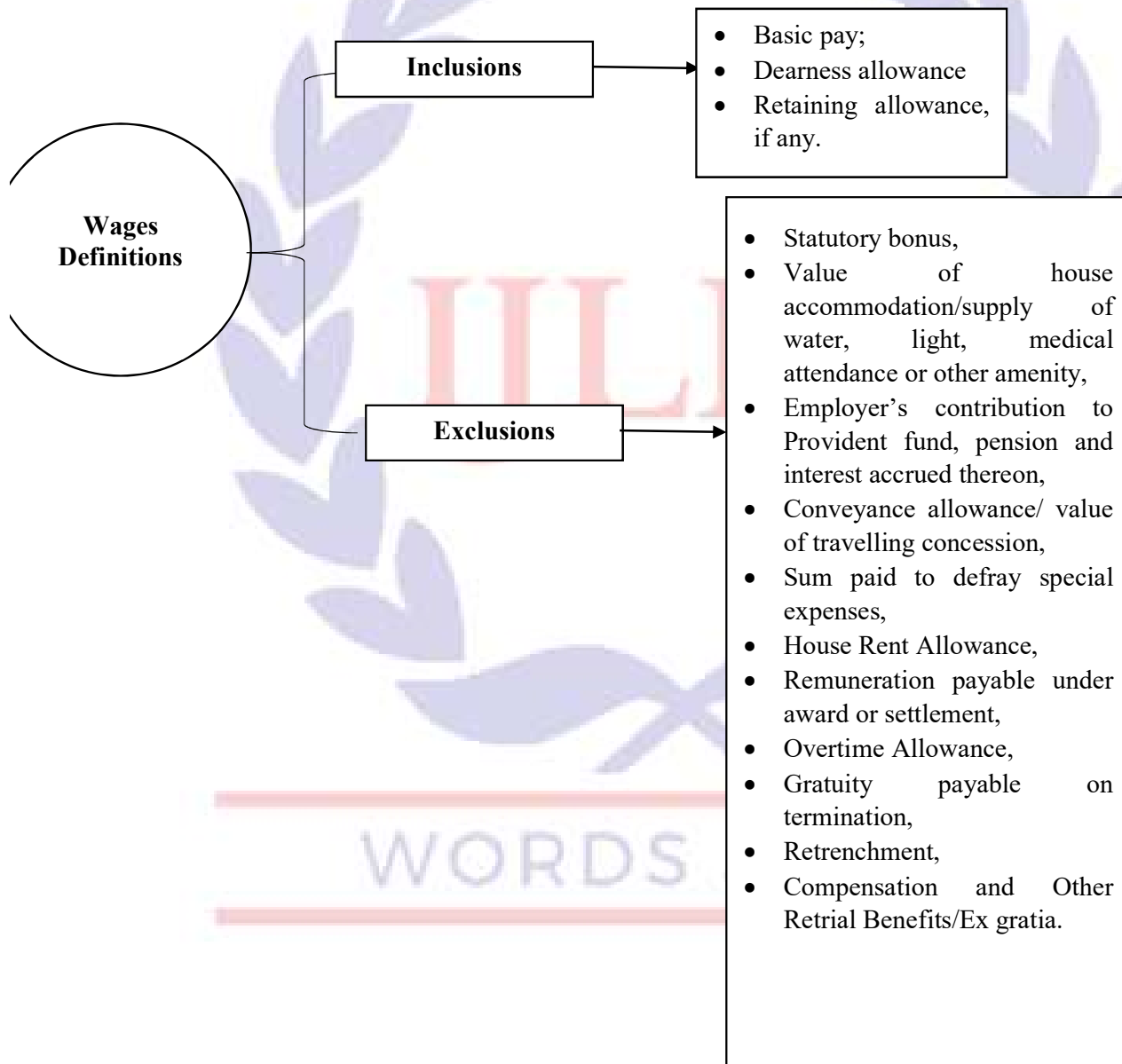
		day.
4. Wages for overtime work	a) Works on any day in excess of the number of hours constituting a normal working day, the employer shall pay the employee for every hour or for part of an hour so worked in excess, at the overtime rate which shall not be less than twice the normal rate of wages.	a) For working on a rest day employee to be paid at overtime rates and for substituted rest day at normal rate.
5. Penalties	a) Penalties for the offences by the employer vary from 10,000 to One Lakh rupees.	a) For imposition of fines, Deputy Chief Labour commissioner (central) shall be the authority. b) Employee to be given an opportunity to offer an explanation – for recoveries relating to damage or loss.
6. Inspections	a) The code provides for the appointment of an inspector –cum – facilitator to carry out inspections and provide information to employer and employees for better compliance.	a) Inspection scheme under the code to be formulated by the chief labour commissioner (Central).

Important Definitions under the Wage Code



Concept of Wages as per new code

Definition of Wages



Note:

- Exclusions other than highlighted components capped at 50% of total remuneration
- Remuneration in kind to be upto 15% of total remuneration

Illustrative Example

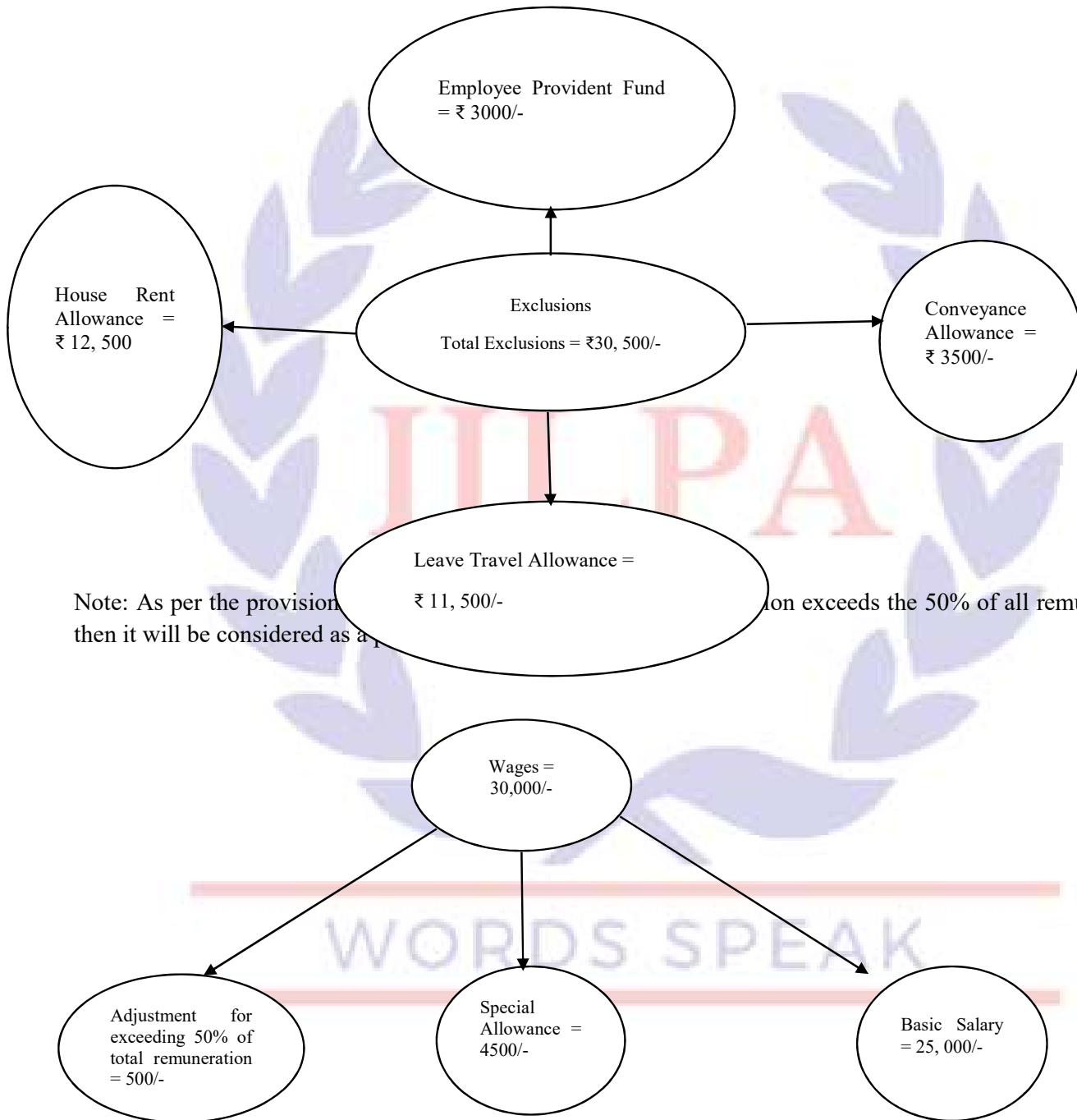
Particulars	Amount (in INR per month)
Total monthly salary	60,000
Basic Salary (As per the new condition of 50% CTC) 60,000*50/100	30,000

Now to reduce statutory obligations,

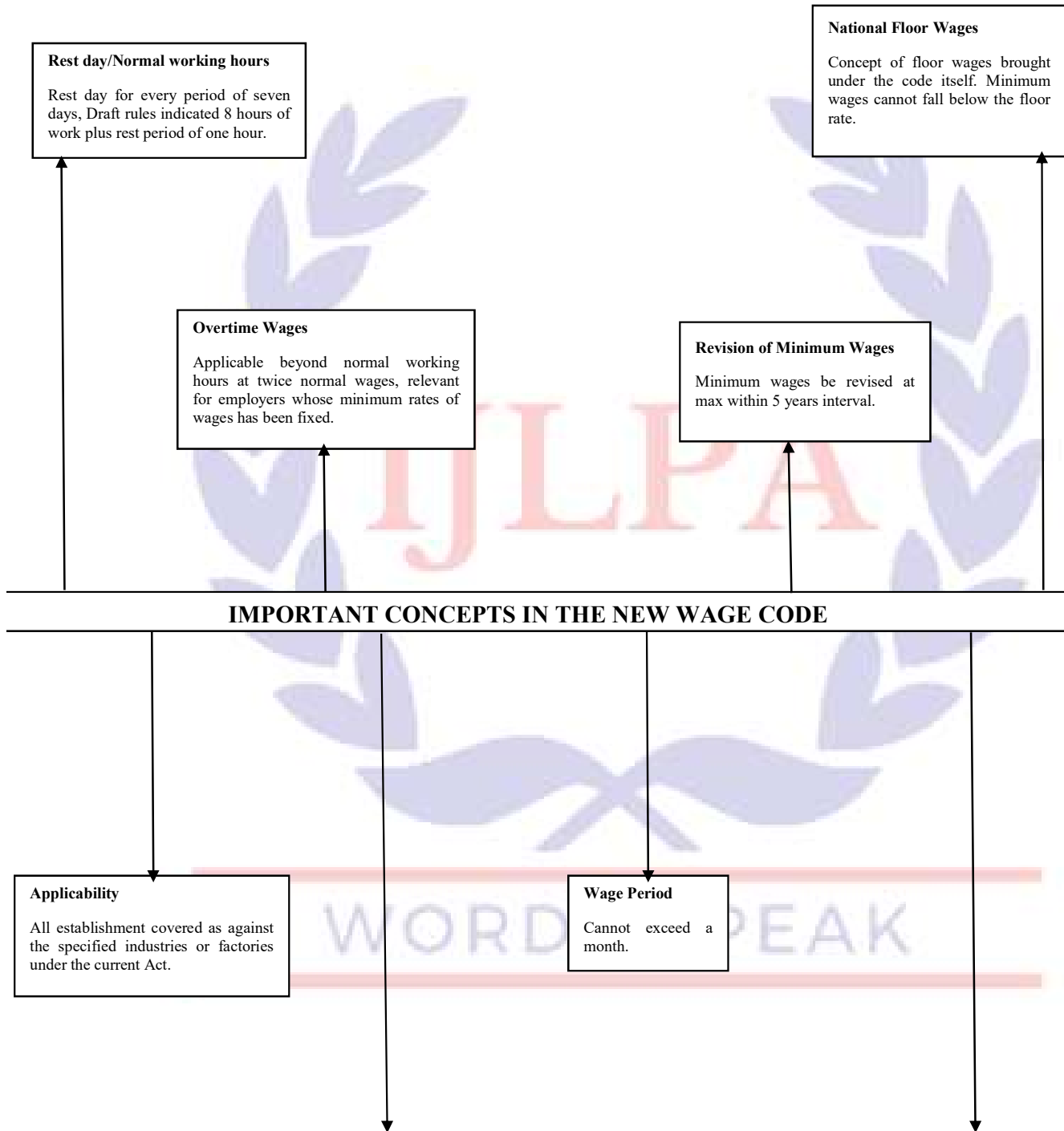
Particulars	Amount (in INR per month)
Basic salary (It is taken to reduce employer's PF liability)	25,000
Special Allowance (with adjusted amount of ₹ 500)	4,500
Employer PF (12% of Basic Salary) 25,000*12/100	3,000
House Rent Allowance (50% of Basic Salary) 25,000*50/100	12,500
Conveyance Allowance	3,500
Leave Allowance	11,500
Total	60,000

Note: - 12% is taken as the standard rate of provident fund to be contributed by the Employer

Diagrammatic break up of illustration



Important Concepts in the New Wage Code



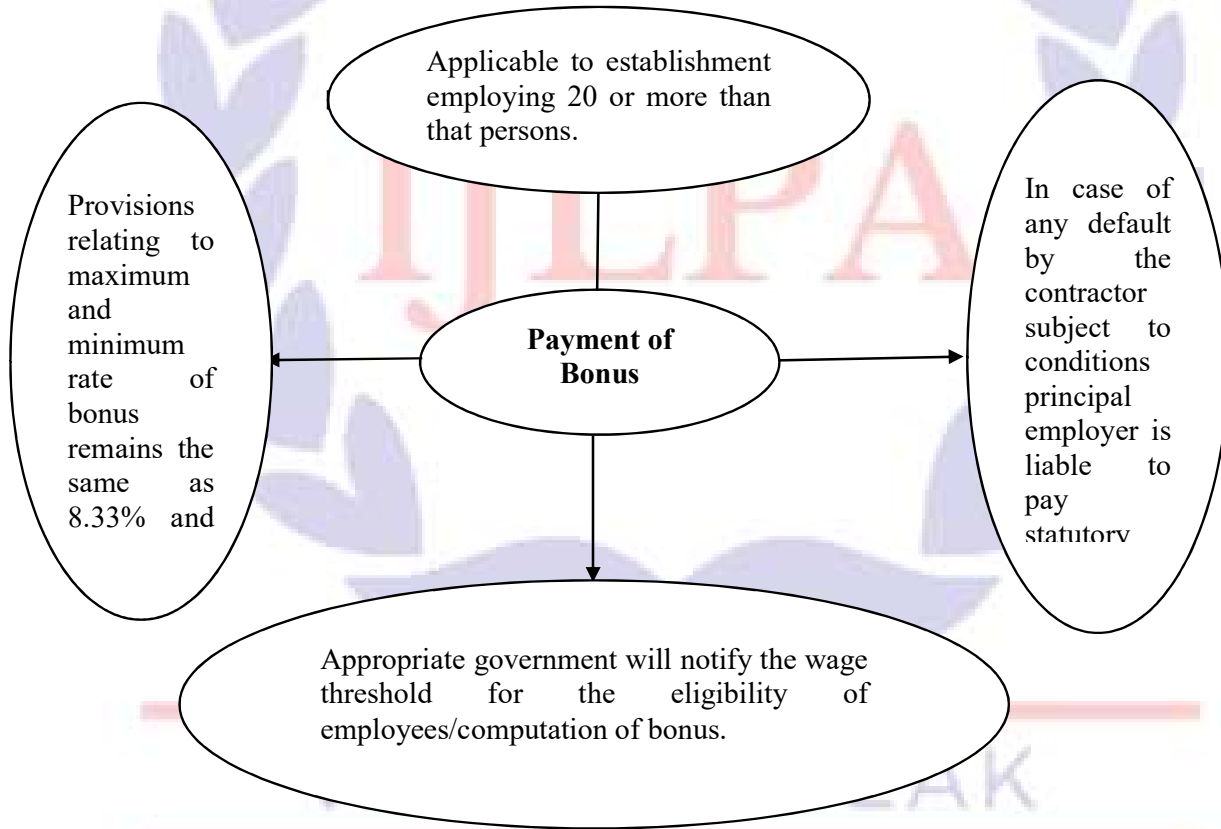
Time Line of Wage Payment

1. Daily wage period - at the end of the shift.
2. Weekly wage period - on last working day of the week.
3. Fortnightly wage period - by the end of the second day after the expiry of fortnight.
4. Monthly wage period - by the seventh day of the succeeding month.

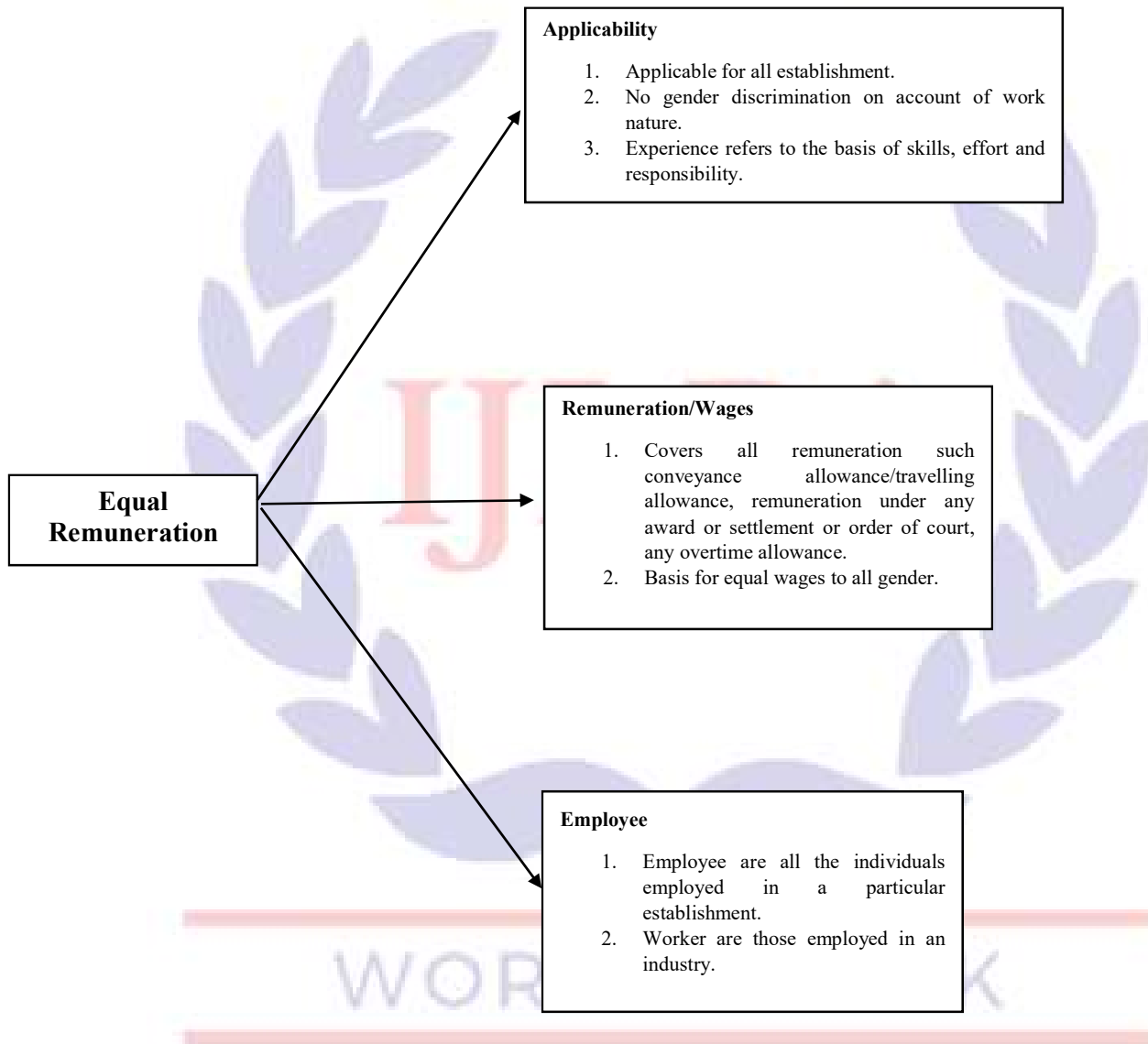
Final settlement for removal, resignation, dismissal, retrenchment

Extremely short timeline of 2 working days introduced – no defined timelines in the current Act.

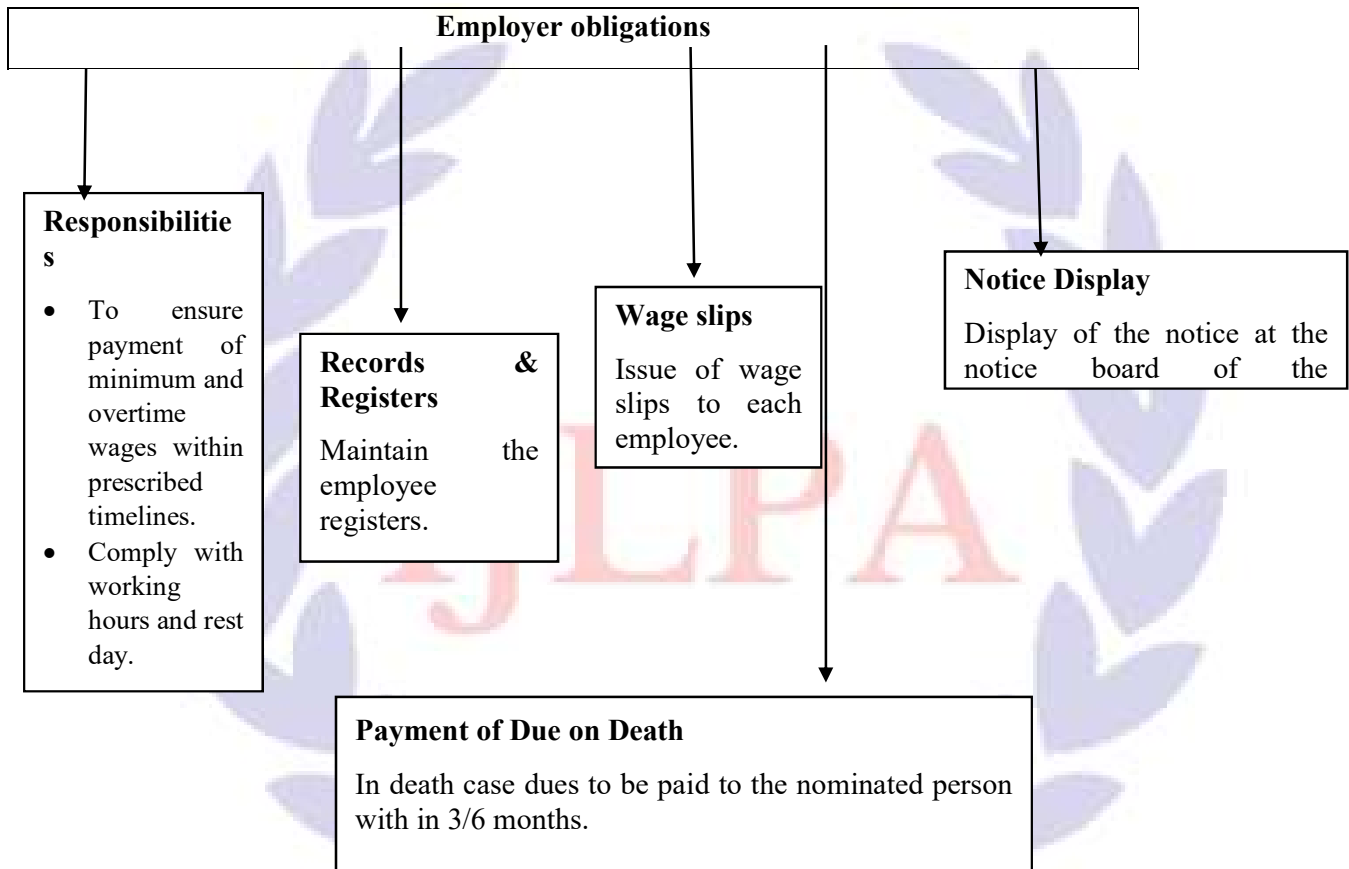
Payment of Bonus Provision



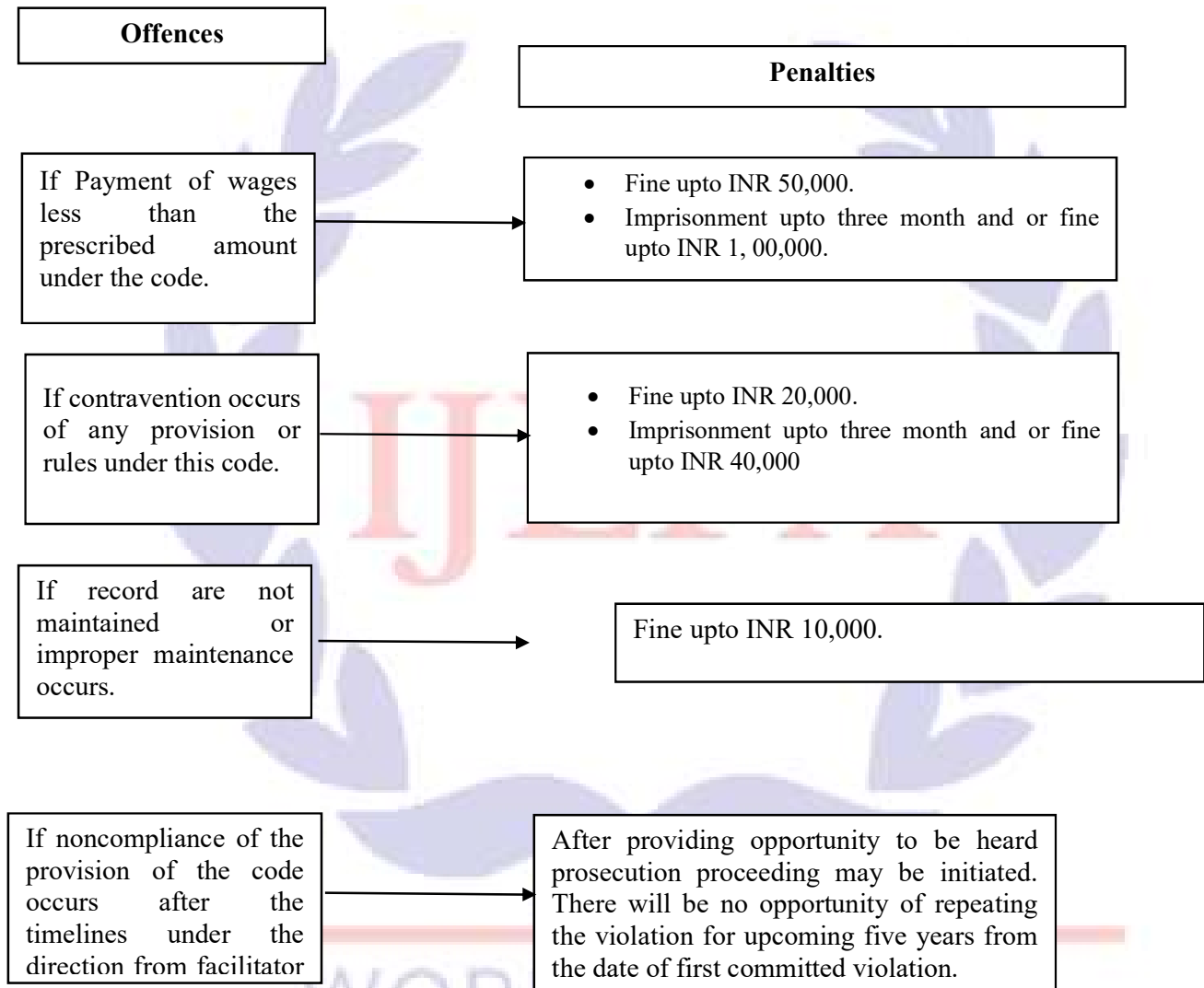
Equal Remuneration Provision



Employer Obligations



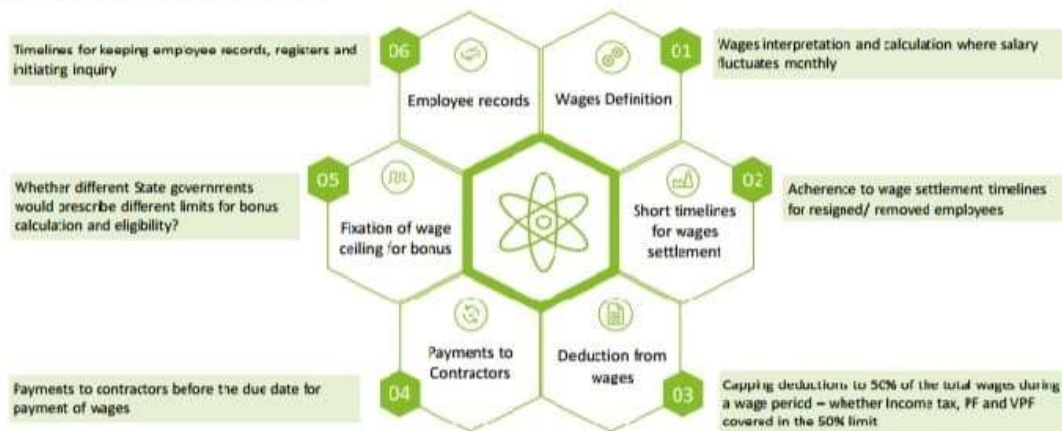
Offences & Penalties



The Challenges

The Code on Wages, 2019

Ambiguities / Compliance challenges



<https://www2.deloitte.com/content/dam/Deloitte/in/Documents/tax/in-tax-presentation-code-on-wages-7-october-2020-noexp.pdf>

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