

The Code on Wages 2019

August 13, 2019

Source: *PIB and PRS India*

The code seeks to regulate wage and bonus payments in all employments where any industry, trade, business, or manufacturing is carried out

Key features

- **Replacement of four labour laws**

The Code replaces the following four laws:

1. The Payment of Wages Act, 1936.
2. The Minimum Wages Act, 1948.
3. The Payment of Bonus Act, 1965, and
4. The Equal Remuneration Act, 1976

- **Application and decision making body: The proposed code will apply to all employees. The central government will make wage-related decisions for employments such as railways, mines, and oil fields, among others. State governments will make decisions for all other employments.**

- **Wages under the code: Wages include salary, allowance, or any other component expressed in monetary terms. This does not include bonus payable to employees or any travelling allowance, among others.**

- **Floor wage to be fixed by the government: According to the Code, the central government will fix a floor wage, taking into account the living standards of workers. Further, it may set different floor wages for different geographical areas. Before fixing the floor wage, the central government may obtain the advice of the Central Advisory Board and may consult with state governments.**

As per the code the minimum wages decided by the central or state governments must be higher than the floor wage.

- **Minimum Wages:** The Code prohibits employers from paying wages less than the minimum wages. Minimum wages will be notified by the central or state governments. This will be based on time, or number of pieces produced. The minimum wages will be revised and reviewed by the central or state governments at an interval of not more than five years.
- **Fixing the minimum wages:** While fixing minimum wages, the central or state governments may take into account factors such as:

1. Skill of workers, and
2. Difficulty of work

- **Working hours and Overtime:** The number of hours that constitute a normal working day may be fixed by the Central or State government. In case employees work in excess of a normal working day, they will be entitled to overtime wage, which must be at least twice the normal rate of wages.

- **Wages and Wage period;** coins, currency notes, by cheque, by crediting to the bank account, or through electronic mode. The wage period will be fixed by the employer as either: daily, weekly, fortnightly, or monthly.
- **Grounds for deduction of wages:** According to the Code, an employee's wages may be deducted on certain grounds including:

1. Fines.
2. Absence from duty
3. Accommodation given by the employer, or
4. Recovery of advances given to the employee, among others.

It also mentions that these deductions **should not exceed 50% of the employee's total wage.**

- **Advisory boards and their composition: The central and state governments will constitute advisory boards. The Central Advisory Board will consist of:**

1. Employers
2. Employees (in equal number as employers)
3. Independent persons, and
4. Five representatives of state governments.

State Advisory Boards will consist of employers, employees, and independent persons. Further, one-third of the total members on both the central and state Boards will be women.

The Boards will advise the respective governments on various issues including fixation of minimum wages, and increasing employment opportunities for women.

Penalties and offences under the code: It specifies penalties for offences committed by an employer, such as paying less than the due wages, or for contravening any provision of the Code. Penalties vary depending on the nature of offence, with the maximum penalty being imprisonment for three months along with a fine of up to one lakh rupees