

Code on Wages Bill, 2019

The Code on Wages Bill 2019, also referred to as Wage Code, consolidates provisions of four labour laws concerning wages and bonuses, while allowing for timely payment of wages for workers in India.

After undergoing many changes and amendments in the Parliament of India, the new bill will come into effect on April 1st, 2021.

This article will give further details about Code on Wages Bill 2019, within the context of the IAS Exams.

Overview of Code on Wages Bill 2019

The government of India began considering a plan in 2015 to consolidate India's 44 labour laws into four codes in order to rationalize labour laws and improve ease of doing business. The other three are the Occupational Safety, Health and Working Conditions Code, the Industrial Relations Code, and the Code on Social Security.

The Code on Wages Bill in turn will subsume four laws:

1. Minimum Wages Act (MWA)
2. Payment of Wages Act (PWA)
3. Payment of Bonus Act (PBA)
4. Equal Remuneration Act (ERA)

The bill was passed by the Rajya Sabha on 2 August 2019.

The bill received assent from President Ram Nath Kovind on 8 August. The bill is a series of many labour reforms undertaken by the Government of India

What changes will the Code on Wages Bill bring?

As per Labour Minister Santosh Kumar Gangwara, the new law will benefit about 50 crore workers in the country.

In addition other changes will also become available:

- As per the bill, a committee of trade unions, employers and the state government will fix a floor wage for workers throughout the country.
- Provident fund (PF) and gratuity components and take-home pay of employees will be impacted. The new definition of wages caps allowances at 50% of total compensation.

- The basic pay will be 50% or more of total pay as per the new code. This will change the salary structure of most employees as the non-allowance part is usually lower than 50%.
- As provident funds (PF) are based around basic salary, it will go up, which means that the take-home pay will come down.
- Post-retirement pay-out will go higher due to higher contributions due to provident funds
- Companies will also see their cost rise as the contribution towards PF and gratuity increases.

Salient Features of Code on Wages Bill

The following are some of the features of the Code on Wages Bill, 2019:

1. **Uniform Applicability:** The Wage Code now will ensure uniform applicability of the timely payment of wages. Irrespective of wage ceilings and different industrial sectors when previous laws like the Payment of Wages Act, Minimum Wages Act had placed restrictions.
2. **Uniform Definition of Wages:** The definition of 'wages' slightly varied across PWA, MWA, PBA and this has resulted in numerous litigations. Therefore, the Wage Code seeks to provide a single uniform definition of 'wages' for the purposes of computation and payment of wages to the employees. As per Wage Code, the term 'wages' means all remuneration whether, by way of salaries, allowances or otherwise, expressed in terms of money and includes basic pay; dearness allowance; and retaining allowance if any.
3. **Distinction between Employee and Worker:** The Wage Code provides separate definitions of 'worker' and 'employee'. The definition of 'employee' is broader than that of 'worker'.
4. **Equal Remuneration:** The Wage Code prohibits discrimination on ground of gender with respect to wages by employers or for purpose of recruitment, with respect to same or work of similar nature of work.
5. **Payment of Bonus:** There is no significant change from PBA and the provisions relating to the payment of bonus are also consistent with the terms of PBA. Earlier, the applicability was limited to employees drawing wages not exceeding INR 21,000 per month. Now, under the Wage Code, the appropriate government is empowered to fix the wage threshold for determining the applicability.
