



Code of Wages 2019 Impact & Solutions

S2S HR Forum
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The Code on Wages 2019

NEW CODE REPLACING THE REPEALED ACTS

EXISTING ACTS BEING REPEALED

• THE CODE ON WAGES, 2019

PRESIDENT'S ASSENT RECEIVED ON 8TH AUGUST, 2019

- THE PAYMENT OF WAGES ACT, 1936
- THE MINIMUM WAGES ACT, 1948
- THE PAYMENT OF BONUS ACT, 1965
- THE EQUAL REMUNERATION ACT, 1976

Code on Wages, 2019 alongwith three other Codes passed by the Parliament are second generation amendments in the process of reforms in labour laws, and will help in boosting ease of doing business

APPLICABILITY

AS PER CODE ON WAGES, 2019

A

- APPLICABLE TO WHOLE OF INDIA

- IT IS APPLICABLE TO ALL EMPLOYEES INCLUDING IN **ORGANISED AND UNORGANISED SECTORS**

AS PER EXISTING LAWS

A

- SAME

- APPLICABLE TO EMPLOYEES EMPLOYED IN SCHEDULED EMPLOYMENTS

Extending applicability of labour laws to earlier deprived categories is a very progressive step forward.



The Code on Wages 2019- Definitions

EMPLOYEE

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> INCLUDES (OTHER THAN APPRENTICE) :- SKILLED, SEMI-SKILLED, UNSKILLED, MANUAL, OPERATIONAL, SUPERVISORY, TECHNICAL, CLERICAL MANAGERIAL , ADMINISTRATIVE 	<ul style="list-style-type: none"> SAME NEW INCLUSIONS
<p><i>Unity of interest between workers and work-takers together as a team is beneficial in achieving common objectives of the organisation.</i></p>	

WORKER

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> INCLUDES (OTHER THAN APPRENTICE) :- MANUAL, UNSKILLED, SKILLED, TECHNICAL, OPERATIONAL, CLERICAL, SUPERVISORY ALSO INCLUDES :- WORKING JOURNALIST SALES PROMOTION EMPLOYEE BUT IT DOES NOT INCLUDE :- EMPLOYED IN MANAGERIAL AND ADMINISTRATIVE CAPACITY PERSON EMPLOYED IN SUPERVISORY CAPACITY, DRAWING WAGES EXCEEDING RS. 15,000 PER MONTH, OR AS NOTIFIED CONCEPT OF 'WORKMAN' OMITTED - 'SEMI-SKILLED MISSING 	<ul style="list-style-type: none"> NO SUCH PROVISION IT IS RS. 10,000 PER MONTH
<ul style="list-style-type: none"> Definition of Wage will have impact on the financial anvil of employer as some part of various Allowances will be treated as Wage 	

EMPLOYER

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> NOW IT INCLUDES :- OCCUPIER CONTRACTOR LEGAL REPRESENTATIVE OF DESEASED EMPLOYER 	<ul style="list-style-type: none"> NO SUCH PROVISION
<p><i>New Code will improve the competitiveness of Indian industry, make it manufacturing hub and pursue the 'Make in India' agenda successfully.</i></p>	

CONTRACT LABOUR

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> IT INCLUDES – INTER-STATE MIGRANT WORKER IT DOES NOT INCLUDE (OTHER THAN PART-TIME EMPLOYEE) – PERSONS REGULARLY EMPLOYED BY THE CONTRACTOR ON MUTUALLY ACCEPTED TERMS AND CONDITIONS AND GET PERIODICAL INCREMENTS, SOCIAL SECURITY AND WELFARE BENEFITS FROM THE CONTRACTOR 	<ul style="list-style-type: none"> NO SUCH PROVISION
<p><i>The four Codes are result of recommendations of 2nd National Commission on Labour.</i></p>	

The Code on Wages 2019- Definitions

OCCUPATIONS DEFINED

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> HIGHLY SKILLED OCCUPATION 	<ul style="list-style-type: none"> NO SUCH CATEGORY EXISTS
<ul style="list-style-type: none"> SKILLED OCCUPATION SEMI-SKILLED OCCUPATION UNSKILLED OCCUPATION 	<ul style="list-style-type: none"> THIS CATEGORY EXISTS

The enactment of four Code is a big leap forward in labour reforms, but protection of interest of workers in changing conditions is a continuous process.

INSPECTOR-CUM-FACILITATOR

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> NEW ROLE ASSIGNED TO ERSTWHILE 'INSPECTOR' HIS ROLE IS ENLARGED TO ENCOMPASS NOT JUST INSPECTION BUT ALSO TO ADVISE THE EMPLOYERS AND WORKER WITH REGARD TO THE VARIOUS COMPLIANCES PRESCRIBED UNDER THE CODES. 	<ul style="list-style-type: none"> IT IS 'INSPECTOR', AND CONDUCTS INSPECTIONS

The reforms in labour laws to ease the compliance burden is a positive move. Hopefully, these reforms would start a progressive chain-reaction in the economy.

WAGES...

AS PER CODE ON WAGES, 2019	AS PER EXISTING LAWS
<ul style="list-style-type: none"> INCLUDES :- BASIC PAY DEARNESS ALLOWANCE RETAINING ALLOWANCE DOES NOT INCLUDE :- ANY BONUS VALUE OF ANY HOUSE-ACCOMMODATION ANY CONTRIBUTION TO PENSION OR PROVIDENT FUND CONVEYANCE ALLOWANCE ANY SOME PAID TO DEFRAY SPECIAL EXPENSES 	<ul style="list-style-type: none"> SUCH PROVISION EXISTS
<ul style="list-style-type: none"> HOUSE RENT ALLOWANCE AREMUNERATION UNDER AWARD OR SETTLEMENT ANY OVERTIME ALLOWANCE ANY COMMISSION ANY GRATUITY ANY RETRENCHMENT COMPENSATION, EX-GRATIA PAYMENT PROVIDED :- OTHER ALLOWANCES EXCEEDING 50%, OR AS NOTIFIED, OF ALL REMUNERATION WILL BE TREATED AS WAGE ANY PAYMENT IN KIND EXCEEDING 15% OF ALL REMUNERATION WILL BE TREATED AS WAGE 	<ul style="list-style-type: none"> IT IS WAGE PROVISION EXISTS NO SUCH PROVISION



Minimum Wages

- Basic Rates to be revised once in Five years
- DA Revised for various schedule of employments every year (TN), Twice in year in many states. (April 1 / October 1)
- CENTRAL GOVERNMENT WILL FIX FLOOR WAGE
- CENTRAL GOVERNMENT MAY TAKE PRE-ADVISE OF ADVISORY BOARD AND STATE GOVERNMENT
- DIFFERENT FLOOR WAGES MAY BE FIXED FOR DIFFERENT GEOGRAPHICAL AREAS
- MINIMUM WAGE RATES FIXED BY APPROPRIATE GOVERNMENTS SHALL NOT BE LESS THAN THE FLOOR WAGE
- NO DISCRIMINATION ON GENDER BASIS IN WAGES FOR SAME WORK, OR FOR
- WORK OF SIMILAR NATURE
- EMPLOYER NOT TO REDUCE WAGES OF ANY EMPLOYEE
- NO DISCRIMINATION ON GROUND OF SEX WHILE RECRUITING EMPLOYEES FOR SAME WORK, OR FOR WORK OF SIMILAR NATURE, UNLESS EMPLOYMENT OF WOMEN IS PROHIBITED OR RESTRICTED UNDER ANY LAW

Min Wage – How do you find last basic Revision date

Z3/6667/2021

Office of the Commissioner of Labour, Chennai-06
Dated: 16.03.2021.

**STATEMENT SHOWING DETAILS OF DEARNESS ALLOWANCE PAYABLE WITH EFFECT FROM 01/04/2021
BASED ON THE AVERAGE CONSUMER PRICE INDEX OF CHENNAI CITY FOR THE CALENDAR YEAR 2020
IN RESPECT OF VARIOUS SCHEDULED EMPLOYMENTS NOTIFIED UNDER THE MINIMUM WAGES ACT 1948.**

AVERAGE POINTS FOR CHENNAI CITY FOR THE CALENDAR YEAR 2020:

BASE YEAR 2001=100 : 296 Points
BASE YEAR 1982=100 : 1,465 Points
BASE YEAR 1960=100 : 7,398 Points

Last Basic Revised Date

Rate per Point above
161 (DA Cal)

Sl. No	Name of the scheduled employment	Labour & Employment Department G O No & Date	G O Effective from (Date)	Base Index	Rate of dearness allowance	Amount of dearness allowance payable
01	EMPLOYMENT IN AERATED WATER MANUFACTORY	(2D) No.1, dated 02/01/2019	23/01/2019	161 / 2010 (2001=100)	₹ 31.00 per point per month	₹ 4,185.00 p/m
02	EMPLOYMENT IN AGARBATHY MANUFACTORY	(2D) No.49 dated 15/05/2018	06/06/2018	161 / 2010 (2001=100)	₹ 28.55 per point per month	₹ 3,854.00 p/m
03	EMPLOYMENT IN APPALAM MANUFACTORY	(2D) No.69, dated 13/11/2017.	03/01/2018	161 / 2010 (2001=100)	₹ 36.00 per point per month	₹ 4,860.00 p/m
04	EMPLOYMENT IN AUTOMOBILE WORKSHOP	(2D) No.37, dated 19/06/ 2019	10/07/2019	161 / 2010 (2001=100)	₹ 45.40 per point per month	₹ 6,129.00 p/m
05	EMPLOYMENT IN AUTO RICKSHAW & TAXIS	(2D) No.115 dated 12/12/2018	09/01/2019	161 / 2010 (2001=100)	₹ 57.60 per point per month	₹ 7,776.00 p/m
06	EMPLOYMENT IN BAKERIES AND BISCUITS MANUFACTORY	(2D) No.81, dated 07/12/2017	14/02/2018	161/2010 (2001=100)	₹ 1.10 per point per day	₹ 148.50 p/d
07	EMPLOYMENT IN BLEACHING OR DYEING OR BOTH	(2D) No. 4, dated 17/01/2018	28/02/2018	161 / 2010 (2001=100)	₹ 32.00 per point per month	₹ 4,320.00 p/m



Min Wages Calculation TN Example

- Avg of CPI from Jan to Dec every year
- Up to 161 Points Excluded (Basic Rate)
- Points more than 161 Points for every point Multiplied by the Conversation factor as stipulated during the Basic Rate Change Notification.
- Arriving at CPI Example- General Eng and Fabrication

Consumer Price Index – Chennai Region			
Month/2020	Base 2001=100		
January	292		
February	289		
March	285		
April	289		
May	291		
June	296		
July	299		
August	299		
September	300		
October	299		
November	307		
December	301		
Total			
Average	296		
Base Year Average Point as per 2010			160
Average CPI for the Year 2020			296
Up to 161 Points No Dearness Allowance			
Above 161 Points that is $296 - 161 = 135$ Points			
DA Increase Points			135
DA increase per point Rs.42.35(135×42.35)			5717.00
Per day DA			220

Payment of Wages

- ALL EMPLOYEES - PROTECTED WITHOUT ANY WAGE LIMIT, INCLUDING SUPERVISORS AND MANAGERS • **THE WAGE CEILING IS RS. 24,000 PER MONTH**
- PAYMENT OF WAGES IN CURRENT COIN OR CURRENCY NOTES OR THROUGH BANK TRANSFER BY ELECTRONIC MODE • **NO EMPHASIS ON ELECTRONIC MODE**
- WAGES TO BE PAID WITHIN 2 DAYS OF HIS REMOVAL, DISMISSAL, RETRENCHMENT AND RESIGNATION • **RESIGNATION IS NOT INCLUDED**
- WHERE EMPLOYEES ARE EMPLOYED THROUGH A CONTRACTOR, HE WILL BE PAID THE WAGE AMOUNT BY THE PRINCIPAL EMPLOYER, BEFORE THE DATE OF PAYMENT OF WAGES, SO THAT EMPLOYEES ARE PAID WAGES IN TIME – **No SUCH PROVISION (Mostly followed)**

Payment of Bonus

- AN EMPLOYEE NOT WORKING ALL DAYS IN AN ACCOUNTING YEAR, HIS BONUS WILL BE PROPORTIONATELY REDUCED • MIN. 30 DAYS' WORK. MIN BONUS RS. 100
- DISQUALIFICATION FROM RECEIVING BONUS - ON CONVICTION FOR SEXUAL
- HARASSMENT • NO SUCH PROVISION
- BONUS AMOUNT TO BE CREDITED IN BANK ACCOUNT OF THE EMPLOYEE WITHIN 8 MONTHS FROM THE CLOSE OF ACCOUNTING YEAR • NO SUCH PROVISION
- PROVIDED - IF THERE IS DISPUTE FOR PAYMENT OF BONUS AT HIGHER RATE, THE
- EMPLOYER WILL PAY $8\frac{1}{3}$ % OF BONUS WITHIN 8 MONTHS OF CLOSE OF ACCOUNTING YEAR • NO SUCH PROVISION
- A DISPUTE FOR FIXATION, ELIGIBILITY AND PAYMENT OF BONUS UNDER THE CODE AND TO PUBLIC SECTOR WILL BE DEEMED AS THE INDUSTRIAL DISPUTE WITHIN THE MEANING OF INDUSTRIAL DISPUTES ACT, 1947 NO SUCH PROVISION

Payment of Bonus Act

- WHERE EMPLOYEES ARE EMPLOYED THROUGH A CONTRACTOR, AND THE CONTRACTOR FAILS TO PAY MINIMUM BONUS, THE COMPANY SHALL BE RESPONSIBLE TO PAY THE MINIMUM BONUS TO SUCH EMPLOYEES • NO SUCH PROVISION
- **BONUS TO BE CALCULATED ON WAGE AMOUNT AS DETERMINED BY APPROPRIATE GOVERNMENT OR MINIMUM WAGE, WHICHEVER IS HIGHER • EXISTS THROUGH A NOTIFICATION**

Understanding the definition of Wages as Per Code of Wages 2019

Definition of wages

Covered

- ▶ Covers all salary components expressed in terms of money or capable of being so expressed and includes:
 - ▶ Basic pay
 - ▶ Dearness allowance
 - ▶ Retaining allowance

Excluded

- ▶ Specific exclusions:

<ul style="list-style-type: none"> ▶ Bonus payable under any law ▶ Conveyance allowance ▶ House rent allowance ▶ Overtime allowance ▶ Commission 	<ul style="list-style-type: none"> ▶ House-accommodation ▶ Light, water, medical attendance ▶ Value of travel concession ▶ Amenity / service excluded by general or special order of Appropriate Government ▶ Sum paid to defray special expenses
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- ▶ Limit on exclusions: 50% of total remuneration (except gratuity and retrenchment compensation)

- ▶ Remuneration in kind to the extent it does not exceed 15% of total wages shall be included in wages

Example

Basic- 10000.00
HRA- 7000.00
Conv – 4000.00
Spl Allow-4000.00

Total- 25000.00

Possible Impact on Changes

Possible Impact on Changes
Gratuity Pay out
Provident Fund Contributions
Overtime Payment
Leave Encashment
ESI Contributions
Payment of Bonus

Possible Impact on Changes
Yes
If 15k Maintained No Changes
If Paid on Gross No Impact
If Paid on Gross No Impact
No Impact- Gross Remains Same
Rs.7000 or MW which ever remains same

The Solutions – Realistic Practical Approach

1. Present Salary Structure	4. Adjust along with Increment Proposed
Identify the Current % of Basic to Gross	Overall increase is 10 %
Rework the Present Salary Structure if less than 50% if more than 50% maintain same	Impact of Restructuring – 3%
Ensure the Present Gross is Maintained	Increment 7% and code of wages restructuring 3%
2. Identify the Impact	5. While Re Structuring
Gross being the same – No Impact	Ensure the present basic percentage if more than 50 % - the same is maintained.
Compare the Impact on Indirect like Gratuity, PF , Overtime, Leave Encashment etc	Ensure the Present Take home or higher take home is maintained and not reduced a
3. You will know the Overall impact	

Case Study -1														
Proposed structure PF - Excluding HRA)														
% Basic	Mr.A	Basic & DA	HRA	Conv Allow	Spl Allow	Total (A)	PF	ESI	Gratuity	Total (B)	Total CTC		Overtime / hr	Leave Encash
34%	Old	4000.00	3000.00	1800.00	3000.00	11800.00	1056.00	354.00	192.00	1602.00	13402.00		38.46	133.33
50%	Restructured	5900.00	3000.00	1800.00	1100.00	11800.00	1056.00	354.00	284.00	1694.00	13494.00		56.73	196.67
	Impact	1900.00	0.00	0.00	-1900.00	0.00	0.00	0.00	92.00	92.00	92.00	1%	18.27	63.33
Proposed Working with Increase of 10 % 21-22														
% Basic	Mr.A	Basic & DA	HRA	Conv Allow	Spl Allow	Total (A)	PF	ESI	Gratuity	Total (B)	Total CTC		Overtime / hr	Leave Encash
34%	Old	4000.00	3000.00	1800.00	3000.00	11800.00	1056.00	354.00	192.00	1602.00	13402.00		38.46	133.33
50%	Restructured	5900.00	3000.00	1800.00	1100.00	11800.00	1056.00	354.00	284.00	1694.00	13494.00		56.73	196.67
50%	Increase 21-22	6490.00	3500.00	1800.00	1200.00	12990.00	1138.80	389.70	312.00	1840.50	14830.50		62.40	216.33
	Impact	590.00	500.00	0.00	100.00	1190.00	82.80	35.70	28.00	146.50	1336.50	10%	5.67	19.67

Case Study -2														
On Actual Basic														
% Basic	Mr.A	Basic & DA	HRA	Conv Allow	Spl Allow	Total (A)	PF	ESI	Gratuity	Total (B)	Total CTC		Overtime / hr	Leave Encash
34%	Old	4000.00	3000.00	1800.00	3000.00	11800.00	480.00	354.00	192.00	1026.00	12826.00		38.46	133.33
50%	Restructed	5900.00	3000.00	1800.00	1100.00	11800.00	708.00	354.00	284.00	1346.00	13146.00		56.73	196.67
	Impact	1900.00	0.00	0.00	-1900.00	0.00	228.00	0.00	92.00	320.00	320.00	2%	18.27	63.33
Proposed Working with Increase of 10 % 21-22														
% Basic	Mr.A	Basic & DA	HRA	Conv Allow	Spl Allow	Total (A)	PF	ESI	Gratuity	Total (B)	Total CTC		Overtime / hr	Leave Encash
34%	Old	4000.00	3000.00	1800.00	3000.00	11800.00	480.00	354.00	192.00	1026.00	12826.00		38.46	133.33
50%	Restructed	5900.00	3000.00	1800.00	1100.00	11800.00	708.00	354.00	284.00	1346.00	13146.00		56.73	196.67
50%	Increase 21-22	6490.00	3500.00	1800.00	1200.00	12990.00	779.00	389.70	312.00	1480.70	14470.70		62.40	216.33
	Impact	590.00	500.00	0.00	100.00	1190.00	71.00	35.70	28.00	134.70	1324.70	10%	5.67	19.67

SIMPLE Employee Cost Understanding

SI NO	Account Headings	Example 1	Example 2
1	Gross Sales	110.00	100.00
	Taxes	10.00	10.00
	Net Sales	100.00	90.00
	Raw Materials	70.00	70.00
	Operating Cost	10.00	10.00
	Salary Cost	7.00	7.00
	Admin Cost	2.00	2.00
	Total Expenses	89.00	89.00
	Profit /Loss	11.00	1.00

Employee Cost Includes Direct ,Indirect and Staff Welfare

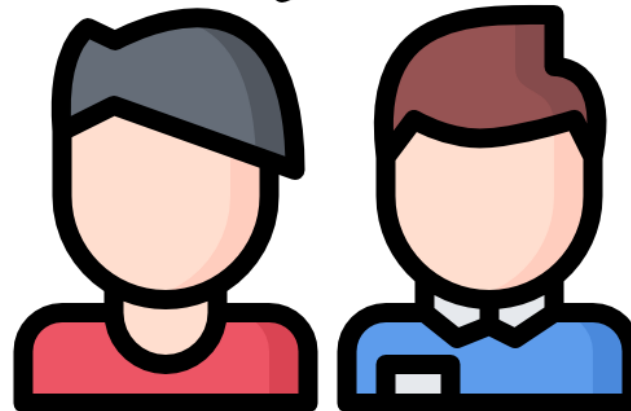
To Conclude

- Restructuring could help in understanding and minimizing cost impact.
- Explain/ communicate to team members on why it is being done.
- Note- Every year increments or changes in salary happens increasing in cost.
- This year to ensure the overall cost impact is minimized to the best possible ways
- Remember the business was not that good last year and increased cost may not be accepted by the management.
- Work on Win and Win Situation for both as an Individual and Employer.
- **Lastly do not wait for the effective date to be announced please ensure you are prepared.**
- If your Teams Basic (Basic and DA) on Gross is already above 50% please continue, if less than 50% Start working.
- My suggestion is make to salary components to Minimum .

THANK



YOU



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