

Bill Summary

The Code on Wages, 2017

- The Code on Wages, 2017 was introduced in Lok Sabha by the Minister of Labour, Mr. Bandaru Dattatreya on August 10, 2017. It seeks to consolidate laws relating to wages by replacing: (i) the Payment of Wages Act, 1936, (ii) the Minimum Wages Act, 1949, (iii) the Payment of Bonus Act, 1965, and (iv) the Equal Remuneration Act, 1976.
- The Code will apply to establishments where any industry, trade, business, manufacturing or occupation is carried out. This will also include government establishments.
- The central government will make wage-related decisions for its authorities, and establishments related to railways, mines, and oil fields, among others. State governments will make decisions for any other establishments.
- Wages include salary, allowance, or any other component expressed in monetary terms. This will not include bonus payable to employees or any travelling allowance, among others.

Minimum Wage

- **National minimum wage:** The central government may notify a national minimum wage for the country. It may fix different national minimum wage for different states or geographical areas.

The minimum wages decided by the central or state governments will not be lower than the national minimum wage. The central or state governments will not reduce the minimum wages fixed by them, if these wages are higher than the national minimum wage.
- **Fixing the minimum wage:** The Code requires employers to pay at least the minimum wages to employees. These wages will be notified by the central or state governments. This will be based on time, or number of pieces produced, among others. The Code specifies that the central or state governments will review or revise the minimum wage every five years.
- **Working hours:** The central or state governments will fix the number of hours that will constitute a working day. Further, they will provide for a day of rest for employees every week. An employee will receive overtime for working beyond these working hours on any day. This amount will be at least twice the normal wage of the employee.

Payment of Wages

- Wages will be paid in (i) coins, (ii) currency notes, (iii) by cheque, or (iv) through digital or electronic mode. The wage period will be fixed by the employer as either: (i) daily, (ii) weekly, (iii) fortnightly, or (iv) monthly.
- **Deductions:** Under the Code, an employee's wages may be deducted on certain grounds including: (i) fines, (ii) absence from duty, (iii) accommodation given by the employer, or (iv) recovery of advances given to the employee, among others. These deductions should not exceed 50% of the employee's total wage.

Payment of Bonus

- **Determination of bonus:** The employer will pay each employee an annual bonus of at least: (i) 8.33% of his wages, or (ii) Rs 100, whichever is higher. In addition, the employer will distribute a part of the gross profits amongst the employees (allocable surplus). This will be distributed in proportion to the wages earned by an employee during the year.
- **Maximum bonus:** An employee can receive a maximum bonus of 20% of his wages. This will include any amount distributed as allocable surplus. If this surplus exceeds the maximum bonus payable to all employees in a year, a certain amount will be carried forward to the following years (up to four years). The amount carried forward will not exceed 20% of the total wages payable to all employees during the year.

Other key features

- **Advisory boards:** The central and state governments will constitute their respective advisory boards. These boards will have representation from: (i) employees, (ii) employers, and (iii) independent persons. Further, one-third of the total members will be women. The boards will advise the respective governments on aspects including: (i) fixation of minimum wages, and (ii) increasing employment opportunities for women.
- **Offences:** The Code specifies penalties for offences committed by an employer, such as (i) paying less than the due wages, or (ii) 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.

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