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## India: Cabinet Approves The Labour Code On Wages Bill

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### Introduction

The Labour Code on Wages Bill, 2015 (Wage Bill) has been introduced by the Ministry of Labour & Employment, Government of India (Ministry) as a part of its oft stated aim of reforming labour laws and improving the 'ease of doing business'.

The Union Cabinet on 25 July 2017 has approved the Wage Bill to simplify, consolidate and amend (i) Minimum Wages Act, 1948; (ii) Payment of Wages Act, 1936; (iii) Payment of Bonus Act, 1965 and (iv) Equal Remuneration Act, 1976. The Wage Bill is expected to be placed in both the houses of the Parliament in the current monsoon session.

### Background

The Wage Bill is a part of the Government of India initiative of reducing myriad labour & employment laws to 4 major codes namely, wages; industrial relations; social security and welfare and occupational safety, health & working conditions. The Wage Bill consists of four chapters ensuring equal remuneration, minimum wages, payment of wages and payment of bonus. Some of the key highlights of the Wage Bill are as follows:

- **Minimum wage limit:** Currently, State Governments set the minimum wage limit under the Minimum Wages Act, 1948. It appears that the Wage Bill now proposes a universal minimum wage to workers to be set by the Central Government across all States and sectors. States must implement the minimum wage limit set by the Wage Bill, but are at liberty to set a higher minimum wage in their respective jurisdictions.
- **Applicability:** Currently the Payment of Bonus Act, 1965 is applicable only to workers earning wages below INR 21,000 per month. Similarly, the Payment of Wages Act, 1936 applies to workers earning monthly wages of INR 18,000. Further, certain labour laws are restricted in their application to employees only in scheduled industries or specific establishments. The Wage Bill entitles all workers to equal remuneration and a universal minimum wage regardless of their wages and type of industry. It provides for payment of bonus to every employee drawing wages less than the amount notified by the Central Government. Payment of bonus further has exclusions for employees of certain Governmental organisations, educational institutions, institutions established not for purposes of profit and employees of any other establishment notified by the appropriate Government.
- **Wages:** The Wage Bill provides for a uniform definition of wages as opposed to different definitions of wages or remuneration under the extant labour laws. Wages under the Wage Bill are defined as all remuneration (whether by way of salary, allowances or otherwise) expressed in terms of money or capable of being expressed which would be payable to a person employed in respect of his employment on fulfilment of terms of employment, whether express or implied. It, however, excludes bonus, value of any house-accommodation, or of the supply of light, water, medical attendance, contribution to pension and provident fund by the employer, travelling allowance and gratuity.
- **Payment of wages:** The current Payment of Wages Act 1936 requires payment of wages primarily in cash, and through bank only upon a specific request by the employee. Post demonetisation, the Payment of Wages Act was amended to state that all wages shall be paid in current coin or currency notes or by cheque or by crediting the wages in the bank account of the employee. The Wage Bill now mandates every employer to make payment of wages electronically (bank transfer) or by cheque unless notified otherwise by the Government.

- **Claims under the Wage Bill:** The Wage Bill requires the relevant State Government to appoint one or more authorities and an appellate authority to hear and decide the claims arising out of non-payment of wages, deduction in wages made in contravention of the Wage Bill, payment of wages below the minimum wages, non-payment of wages for the leave period, non-payment of over time, non-payment of equal remuneration to employees.
- **Statutory Registers and Returns:** The Wage Bill mandates every employer to maintain a single register (preferably electronic) containing the details of persons employed, wages and other details prescribed by appropriate Government. Employers are also required to file Annual Returns under the Wage Bill. This is expected to ease the compliance burden of the employers.
- **Facilitators:** Currently, the Payment of Wages Act, 1936, and the Payment of Bonus Act 1965 provide for labour "inspectors" to conduct inquiry and investigation to check compliance with the Payment of Wages Act, 1936. The Wage Bill provides for "facilitators" instead of "inspectors", who in addition to powers of inquiry and investigation, are also empowered to provide the employers and workers with advice regarding effective means of complying with the law.

**Comment**

The Wage Bill expands the scope of application of existing labour laws concerning wages to all establishments without any monetary limit (except in case of bonus), ensuring adequate coverage and protection of workers in relation to their wages. It seeks to reduce statutory compliances for employers by requiring filing of a single register and return. Largely, it seeks to consolidate and rationalise existing laws on wages in India by providing further clarity on thresholds, record maintenance, mode of wage payment and so on.

*The content of this document do not necessarily reflect the views/position of Khaitan & Co but remain solely those of the author(s). For any further queries or follow up please contact Khaitan & Co at legalalerts@khaitanco.com*

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