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Analysing developments impacting business

REVISION OF BASIC RATE OF WAGES FOR SHOPS AND COMMERCIAL ESTABLISHMENTS IN MAHARASHTRA

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INTRODUCTION

With effect from 24 July 2019, the Industries, Energy and Labour Department of Maharashtra (Maharashtra Labour Department), [revised the basic rate of wages](#) prescribed for employment in shops and commercial establishments in Maharashtra. The basic rate of wages for different class of employees has been reviewed and revised nearly after a decade.

REVISION OF BASIC RATES OF WAGES

The basic rates of wages prescribed for each class of employees, and for each specific geographical zone in Maharashtra, is as follows:

Class of employees	Basic rates of wages per month (INR)	Zone I	Zone II	Zone III
Skilled	Previously	5,800	5,500	5,200
	Revised	11,623	11,036	10,440
Semi-skilled	Previously	5,400	5,100	4,800
	Revised	10,856	10,260	9,664
Unskilled	Previously	5,000	4,700	4,400
	Revised	10,021	9,425	8,289

Zone I shall comprise of the areas falling within the limits of all municipal corporations and industrial areas within 20 kilometers radius from all the municipal corporations limit and cantonment areas.

Zone II shall comprise of the areas falling within the limits of municipal councils.

Zone III shall comprise of all other areas in Maharashtra, which are not covered under Zone I and Zone II.

The minimum rate of wages payable to employees engaged in shops and commercial establishments shall consist of basic rate of wages (as mentioned in the table above) along with cost of living allowance / variable dearness allowance (VDA) notified by the State Government from time to time. The VDA is typically reviewed and revised by the State Government every six months.

As per the [notification](#) dated 4 February 2019 issued by office of the Labour Commissioner - Maharashtra, VDA prescribed for shops and commercial establishments in Maharashtra is INR 4,104 per month, which was applicable from 1 January 2019 to 30 June 2019. Though, the revised notification has not been released yet, as per our discussions with the Maharashtra Labour Department, a notification reflecting the revised VDA will be released over the next few days. We will share any update in this regard accordingly.

Further, the Maharashtra Workmen's Minimum House Rent Allowance Act, 1983 (HRA Act) is applicable to establishments employing 50 or more workmen. As per the provisions of the HRA Act, every employer who is not providing accommodation to its employees, shall pay to every workman employed by him a house-rent allowance (HRA) which shall not be less than 5% of the wages (i.e. basic salary along with dearness allowance) payable to the workman for his services during a month, or INR 20, whichever is higher.

[Comment](#)

As per the Minimum Wages Act, 1948 (MW Act), the appropriate government is required to review the minimum rates of wages payable to employees in scheduled employments, at such intervals not exceeding 5 years. However, the basic rate of wages for shops and commercial establishments was last revised by the Maharashtra Government in September 2010. Nonetheless, the revision of wages is a welcome move for the employees and trade unions who have been demanding an increase in the wages payable to employees. On the other hand, revising basic rate of wages by twice the amount may have a significant financial impact on the employers. In addition to the significant increase in the basic rate of wages, employers need to be mindful of the implication this development may have on other entitlements such as HRA, employees' provident fund and employees' state insurance contributions.

Considering the abovementioned financial implications, the employers may consider revisiting the extant salary structures to assess any other discretionary payments to the employees from a policy standpoint.

- *Anshul Prakash (Partner), Abhimanyu Pal (Senior Associate) and Kruthi N Murthy (Associate)*

For any queries please contact: editors@khaitanco.com

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Mumbai

One Indiabulls Centre, 13th Floor
Tower 1841, Senapati Bapat Marg
Mumbai 400 013, India

T: +91 22 6636 5000
E: mumbai@khaitanco.com

New Delhi

Ashoka Estate, 12th Floor
24 Barakhamba Road
New Delhi 110 001, India

T: +91 11 4151 5454
E: delhi@khaitanco.com

Bengaluru

Simal, 2nd Floor
7/1, Ulsoor Road
Bengaluru 560 042, India

T: +91 80 4339 7000
E: bengaluru@khaitanco.com

Kolkata

Emerald House
1 B Old Post Office Street
Kolkata 700 001, India

T: +91 33 2248 7000
E: kolkata@khaitanco.com