

## Draft Code on Wages (Central) Rules, 2020 : Brief Highlights\*

Recently, the Ministry of Labour and Employment has notified the Draft of Code on Wages (Central) Rules, 2020 under the Code on Wages, 2019<sup>1</sup>. The new draft rules have been circulated afresh for public comments and suggestions for a period of 45 days from the date of publishing, which is July 7, 2020.

The Draft Rules aims to fix a national floor minimum wage based on minimum living standard including food, clothing, housing and any other factors prescribed by the government. In the new draft rules for minimum wage law, the Centre has reduced normal working hours in a day to eight hours from nine proposed in the earlier version released last November.

### **Key Points**

- The latest draft rules are similar to the preliminary draft published in November 2019 with one major change.
- The Ministry has changed the work requirement for eligibility for minimum wages and other benefits from nine hours to eight.
- The latest draft clarified the issue as the nine hours mentioned earlier included one hour of rest, which has now been mentioned separately from the eight working hours.

### **Code on Wages (Central) Rules, 2020: Highlights**

These Draft Rules will apply to all central sector establishments. These include: (i) railways, mines, oilfields, and banking companies and (ii) establishments carried on by or under the authority of the central government. Highlights of the Draft Rules are discussed as below:

- **Calculation of minimum wage:** The Draft Rules lay down the criteria for fixing the minimum rate of wages per day for employees. These criteria include: (i) three adult consumption units per household, (ii) daily intake of 2700 calories per consumption unit, (iii) 10% expenditure on rent, (iv) 20% expenditure of fuel, electricity, and miscellaneous items, and (v) 25% expenditure on education, medical requirements and contingencies.
- **Norms for fixing minimum wage:** Minimum wages will be calculated on the basis of the geographical area of employment and the skill category of an employee. For this purpose, the central government will divide the geographical area into three categories: metropolitan (population of 40 lakh or more), non-metropolitan (between 10 lakh and 40 lakh), and rural areas (all other areas). The Draft Rules categorise occupations into four skill categories: unskilled, semi-skilled, skilled and highly skilled. The central government will constitute a committee (Chair: Chief Labour Commissioner) to advise on modifications in skill categorisation of these categories of occupations. A separate technical committee may be constituted to recommend the fixing of minimum wages for working journalists.

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<sup>1</sup>. A Brief Backdrop of Code of Wages 2019 is given at the end of this paper please.

- **Revision of dearness allowance:** The Draft Rules state that an endeavor will be made to revise the dearness allowance linked to the minimum wage twice a year; before April 1 and October 1 each year.
- **Calculation of floor wage:** According to the Code on Wages 2019, the central government will fix a floor wage. The minimum wage must be higher than the floor wage. The Draft Rules provide that the central government will decide the floor wage on the basis of minimum living standards taking into account food, clothing, and housing for a family of three consumption units. The floor wage may be revised every five years, and periodic adjustments may be made to accommodate variations in the cost of living.
- The *floor wage* will be decided in consultation with the Central Advisory Board and certain state governments as the central government deems necessary. The Board will consist of: (i) employers, (ii) employees (in equal number as employers), (iii) independent persons, and (iv) five representatives of state governments. The Board will advise the central government on various issues including minimum wage fixation.
- **Work hours:** The Draft Rules state that a normal working day will constitute a maximum of nine hours of work per day, with a maximum spread over of 12 hours including rest intervals. The spread over may be increased to 16 hours in certain cases, such as: (i) where employment is intermittent, and (ii) the employee is engaged in an unforeseen emergency. Further, every employee will be allowed one rest day per week. The employer may substitute the rest day for any other day of the week, which may fall within five days before or after the scheduled rest day. Substituted rest days will be eligible for overtime wages.
- **Inspection Scheme:** As per the Code, the appropriate government may specify an inspection scheme which will provide for the generation of web-based inspection and calling for inspection-related information under the Code electronically. The Draft Rules state that Chief Labour Commissioner (Central) will formulate an inspection scheme, with the approval of the central government.

#### Code on Wages Act 2019 : Brief Backdrop

- Under the Constitution of India, labour is a subject in the Concurrent List of the Seventh Schedule where both the Central and State Governments are competent to enact legislation.
- The Central Government is empowered to fix the floor wages by taking into account the living standards of workers. It may set different floor wages for different geographical areas.
- The minimum wages decided by the central or state governments must be higher than the floor wage.
- The Code of Wages Aims to transform the old and obsolete labour laws into more accountable and transparent ones and seeks to pave the way for the introduction of minimum wages and labour reforms in the country.
- It subsumes the following four labour laws:
  - The Payment of Wages Act, 1936.
  - The Minimum Wages Act, 1948.
  - The Payment of Bonus Act, 1965.
  - The Equal Remuneration Act, 1976.
- Removes the multiplicity of wage definitions, which can significantly reduce litigation as well as compliance cost for employers.

- Regulates the wages and bonus payments in all employments where any industry, trade, business, or manufacturing is being carried out.
- Links minimum wage across the country to the skills of the employee and the place of employment.
- It simplifies the methodology to fix minimum wage by doing away with the 'type of employment'.
- It seeks to universalize the provisions of minimum wages and timely payment of wages to all employees irrespective of the sector and wage ceiling.
- It seeks to ensure 'Right to Sustenance' for every worker and intends to increase the legislative protection of minimum wage.
- Employees getting monthly salary shall get the salary by 7th of next month, those working on a weekly basis shall get the salary on the last day of the week and daily wagers should get it on the same day.

**References:**

- <https://www.drishtias.com/daily-updates/daily-news-analysis/draft-rules-for-code-on-wages-act-2019>
- <https://www.prsindia.org/billtrack/draft-rules-under-code-wages-2019#:~:text=The%20Draft%20Rules%20lay%20down,and%2010%25%20expenditure%20on%20rent.>

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