

# Code on Wages, 2019



- The Code on Wages 2019 amalgamates the four wage and payment related Acts:
  - 1. Equal Remuneration Act, 1976
  - 2. Minimum Wages Act, 1948
  - 3. Payment of Wages Act, 1936
  - 4. Payment of Bonus Act, 1965
- The Code on Wages 2019 enforced w.e.f. 21/11/2025.
- It extends to whole of India.

# Purpose of the Code



- An Act to amend and consolidate the law relating to wages and bonus and matters connected therewith or incidental thereto.
- It introduces key reforms to streamline and strengthen labour regulations.

- **DEFINITIONS**

# Section 2(d) – Appropriate Government



- In the repealed Acts there were separate definitions of the term 'Appropriate Government'.
- The Code introduces a new definition to remove multiplicity of definitions and authorities.

# Objective of New Definition



- The new definition under Section 2(d) intends to remove multiplicity of authorities leading to ease of compliance without compromising wage security of workers.
- ( clarification of central govt. on the code on wages bill)

# Section 2(f) – Contractor



- This is a new definition which was not present in the repealed Acts.
- the term "contractor" is designed to increase accountability, shifting them from a mere intermediary to a more direct employer-like entity responsible for labor welfare and wages.
- **A contractor in relation to an establishment means a person who:**
  - **Undertakes to produce a given result for the establishment, other than a mere supply of goods or articles of manufacture to such establishment through contract labor, or**
  - **Supplies contract labor for any work of the establishment as mere human resource.**
- It includes a sub-contractor.

# contractor



- The Code clarifies that if a person merely supplies goods or articles of manufacture to an establishment, they are not considered a "contractor" for the purpose of this definition.
- Contractors cannot be used for "core activities" of an establishment, with limited exceptions (e.g., sudden workload surges)
- the contractor directly responsible for wage payment and compliance, aiming to eliminate the exploitation of contract workers and ensuring they receive the same social security and benefits as permanent employees.

# Section 2(g) – Contract Labor



- This is a new definition which was not there in any of the repealed Acts.
- **Contract labor means** a worker who shall be deemed to be employed in or in connection with the work of an establishment when he is hired in connection with such work by or through a contractor, with or without the knowledge of the principal employer and includes inter –state migrant worker.

# Contract labor



- The worker must be engaged in activities connected to the principal employer's business, which often includes peripheral, (not as important as the main part) cleaning, or maintenance work.
- **deemed to be employed"** means the worker is considered part of the contractor's obligation, yet the principal employer holds ultimate liability for compliance.
- He shall not be hired for core area activities.

# Exclusion from Contract Labor



- **Key Exclusions:** A worker is *not* considered contract labor if they are (a) regularly employed by the contractor, (b) and his employment is governed by mutually accepted, standardized employment conditions (including permanent engagement), and (c) receive periodical pay increments, social security, and welfare benefits.

However, part-time employees of the contractor are covered .

# Inter-State Migrant Workers



- Contract labor includes an **inter-state migrant worker**.
- Such workers reside away from their usual state of residence for more than six months in their destination state for employment

The definition has been expanded to include workers directly employed by contractors and those who have migrated on their own (self-registered).

- **What new code is offering ---**
- **WAGES AND SAFETY**

**Universal Minimum Wage:** All inter-state migrant workers are entitled to universal minimum wages, ensuring protection across organized and unorganized sectors.

- **Payment Timelines:** Mandatory monthly wage payments, with wages required within 7 days, and a requirement for wage slips.
- **Overtime:** Workers are entitled to overtime at twice their regular hourly rate.

# Benefits & welfare



- **Benefits & welfare**
- Migrants can access to Public distribution system(PDS) Ration facility in the state of employment and access to building and construction cess benefits.
- Migrants entitled to lump sum journey allowance for travel to their home state once every 12 months provided they have worked 180 days
- Migrants also entitled to mandatory annual health check ups.

# Example of inter state migrant worker



- Workers mostly from Bihar U.P. ,M.P. shifting to Delhi and other states for employment because of better opportunities, improved pay and other facilities.

# Section 2(k) – Employee



- Uniform definition of employee under the Code.
- **Employee means** any person employed on wages to do any skilled, semi-skilled or unskilled, manual, operational, supervisory, managerial, administrative, technical or clerical work for hire or reward whether the terms of employment be express or implied

# Employee – Exclusions



- The term does not include:
  - Apprentices engaged under the Apprentices Act 1961
  - Members of the Armed Forces of the Union.

# Section 2(l) – Employer



- Uniform definition of employer.
- Omission of reference to 'scheduled employment' to make minimum wages applicable universally.

# Employer – Meaning



- **Employer means** a person who employs one or more employees in an establishment either directly or through any person in his establishment on his on behalf or on behalf of any person.
- **Essentially, the code ensures that no employee, regardless of their mode of engagement, falls outside the protection of the law by making the "ultimate control" holder accountable.**
- The Code expands the definition of "employer" to include contractors. If a contractor fails to pay wages, the liability falls upon the Principal Employer.

# Employer Includes



- • In relation to factory, the occupier/ manager of a factory.
- If an establishment's affairs are managed by a manager or managing director, they are specifically considered the employer for making them responsible for compliance.
- • Contractor, and
- • Legal representative of a deceased employer.

# ramifications



- The employer is now directly responsible for all dues under the code. In cases of claims, the burden of proof is placed on the employer to prove that wages/bonuses have been paid.
- Employers must issue appointment letters to all employees, formalizing employment relationships.
- "aggregators" (e.g., Zomato, Swiggy) in the definition of employers for specific purposes, mandating them to contribute 1-2% of their annual turnover to a social security fund for gig and platform workers.

# Section 2(m) – Establishment



- Establishment means any place where industry, trade, business, manufacture or occupation is carried on and includes Government establishment. The term specifically includes government establishment. Example banks, insurance companies, software companies and supermarkets etc.
- The definition of Establishment is wider than the definition of government establishment, as it includes government establishment.

# Scope of Establishment



- The scope is wide and not limited to factories, offices and shops.
- Even a tea or snack stall on the pavement may fall under establishment.

# Section 2(o) – Government Establishment



- Government establishment means any office or department of the Government or a local authority. Example – mcd office
- It does not cover government companies, statutory companies and RBI.

# Section 2(v) – Same Work or Work of Similar Nature



Means work in respect of which the skill, effort, experience and responsibility required are the same, when performed under similar working conditions by employees and the difference if any, between the skill, effort, experience and responsibility required for employees of any **gender**, are not of practical importance in relation to the terms and conditions of employment. **Example** Data entry operators, Accounting work people etc.

# Gender Neutral Provision



- References to 'man and woman' replaced with 'any gender'.
- This extends equal remuneration provisions to transgenders also.

# Section 2(s) – Minimum Wages



- Minimum wages means wages fixed under Section 6.

# Section 2(y) – Wages



- Uniform definition of wages under the Code.
- Wages include:
  - Basic pay
  - Dearness allowance
  - Retaining allowance.

# Retaining Allowance



- Retaining allowance is payment made to workers during off-season or slack periods to retain them on payroll until work resumes.
- Example Sugar ,textiles factory

# Exclusions from Wages



- Examples of exclusions: ( a) to( i)
- • Bonus not forming part of remuneration ( if the payments made by employer to the employee
- • Value of any house accommodation
- • Employer contribution to PF or pension fund under clause (a) to (i)
- • Conveyance allowance
- Amount paid to defray (cover, settle) special expanses entailed (like pay for specific duties like working in remote/tribal areas or on research projects.)
- • House rent allowance
- Remuneration payable under award or settlement
- • Overtime allowance
- • Commission payable (a) to (i)
- • Gratuity payable ( j )
- Retrenchment compensation or retirement benefit or any es gratia payment ( k )

# 50% Rule



- If payments under i.e. (a) to (i) exceed 50% of total remuneration, then such excess shall be added back to wages.
- **Example:-** suppose wages of a worker x in textiles factory is Rs 18000/- basic 11000+d.a. 2000+R.A.5000 = total 18000
- 50% of 18000 is 9000
- Now the total of a) to i) bonus 1000+value of accomodation 500+P.F.1000+conveyance allowance500+ Hra 1500+remuneration payable 3000+overtime allowance1000+commission800 =9300 i.e. Rs 300/- the excess of 50%, added back to wages , for calculating wages for all purposes.
- So here it is more than 50%of wages shall be deemed to be remuneration therefore added in wages as per new definition of wages.

# Section 2(z) Worker



- **Worker means** any person ( excludes Apprentice) employed **in any industry** to do any manual, unskilled, skilled, technical, operational , clerical or supervisory work for hire or reward , whether the terms of employment be express or implied and includes :- i) working journalists
- ii) sales promotion employees
- **EXCLUSION** a) Any person who is subject(any individual including officers ) to the Air force Act , the Army Act, the Navy Act
- b) Employed in Police service ,officer or employee of prison
- c) Employed **mainly** in a managerial or administrative capacity.
- d) Employed in supervisory capacity drawing wage of **exceeding 15000/-p.m. (then he is out of definition of worker)**

# DIFFERENCE



- **Difference between the definition of worker and employee under the code:-**
- i) Worker is employed in any industry but employee not
- ii) worker definition specifically exclude worker employed in mainly managerial and administrative capacity
- iii) similarly exclude worker employed in supervisory capacity drawing wages exceeding 15000/-

# Minimum Wages under the Code



- Earlier minimum wages applied only to scheduled employment.
- Under the Code the benefit applies to all employees.

# Types of Minimum Wage Rates

- Minimum wage rates may be fixed:
  - For time work
  - For piece work.



# Wage Period Basis



- Minimum wage rates on time work basis may be fixed by:
  - • Hour
  - • Day
  - • Month.

# Criteria for Fixation



- The appropriate Government shall consider:
  - Skill level (unskilled, semi-skilled, skilled, highly skilled)
  - Geographical area, or both

# Additional Factors



- Government may consider arduous nature of work such as:
  - Extreme temperature or humidity
  - Hazardous occupations or processes
  - Underground work in mines.

# Floor Wage



- The central Government shall fix floor wage based on **minimum living standard of a worker**. So different floor wage may be fixed for different geographical areas.
- Minimum wages fixed by the appropriate government shall not be lower than the floor wage.

# Fixing hours of work for Normal Working Day



- Government may **fix number of working hours constituting a normal working day** including one or two specified intervals for rest.
- Employees shall get **one day of rest in every seven days**

# Overtime Wages



- If an employee works beyond normal hours, overtime shall be paid at not less than twice the normal wage ,( as per the definition of wage given under code) rate for every hour or part of an hour so worked in excess.

# Fixation of Wage Period



- The code allows flexibility to employer to fix different wage periods so employers may fix wage periods as:
  - • Daily
  - • Weekly
  - • Fortnightly
  - • Monthly.

# Authorized Deductions



- Deductions may be made for:
  - Absence from duty
  - Damage or loss
  - Recovery of advances or loans
  - Fines after opportunity to be heard
- No fine shall be imposed without giving notice and as per standing orders and generally no fine can imposed .
- House accommodation or amenities in service on acceptance

# Limit on Deductions



- Total deductions shall not exceed 50% of wages, as per definition of wage as per wage code during the wage period.

# Bonus Provisions



- Bonus payable to employees drawing wages within prescribed limit and who have worked at least 30 days in the accounting year.

# Bonus Rate



- Minimum bonus: 8.33% of wages
- Maximum bonus: 20% of wages.

# Employer Compliance



- Employers must:
  - Pay minimum wages
  - Avoid gender discrimination
  - Fix wage periods and pay wages within prescribed timelines

# Time Limit for Payment of Wages



- Daily – at end of day
- Weekly – last working day of week
- Fortnightly – within two days after fortnight
- Monthly – before seventh day of next month.

# Payment on Termination



- When an employee leaves employment, whether by resignation, dismissal or termination all dues must be paid within two working days.

# Registers and Records



- Employer must maintain and keep updated
  - Attendance register or muster roll (A muster roll tracks daily attendance, work hours, overtime, and wage details, often used in construction or labor-intensive industries for payroll. An attendance register is a simpler, daily log recording )
  - Wage register
  - Overtime register
  - Register of fines and deductions.

# Record Preservation



- Records may be kept in physical or electronic form and must be preserved for five years.
- Why five years
- Because the period of filing the claim by the employee under the code is three years.

# Wage Slip



- Employer must issue **in prescribed form** wage slips to all employees on or before payment of wages.

# Display on Notice Board



- Employers must display:
  - Minimum rate of wages
  - Normal working hours
  - Wage period
  - Date of wage payment
  - Name and address of Inspector-cum-Facilitator.



**THANK YOU**

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