Industry bodies to ask govt to hold back implementation of new wage law

Updated: 23 Dec 2020, 07:39 AM IST

- **The new definition provides that the allowance of an employee cannot be more than 50% of the total salary. This would increase the social security deductions like the provident fund. The new definition of wages is part of the Code on Wages, 2019 passed by Parliament last year.**

Representatives of industry bodies, including from CII and FICCI, will hold a meeting with the labour ministry top brass on Thursday to make a case for holding back the implementation of the new definition of wages, which would increase social security deductions and reduce the take-home pay of workers.

"The representatives of CII and FICCI among other industry bodies would meet union labour ministry top brass on December 24, 2020 to discuss the new definition of wages which is likely to be implemented by April 1, 2021," an industry source said.

The source also said that lobbyists want the government to hold back the new definition and fear that this would result in a major cut in take-home salaries and also put an additional burden on employers.

The new definition of wages is part of the Code on Wages, 2019 passed by Parliament last year. The rules to enforce the law were also firmed up last year.

Now, its implementation is planned from April 1, 2021 along with other three codes on industrial relations, social security and occupational health safety and working conditions.

The new definition provides that the allowance of an employee cannot be more than 50 per cent of the total salary. This would increase the social security deductions like the provident fund.

Presently, the employer and employee contribute 12 percent each towards the social security schemes run by the Employees' Provident Fund Organisation.

At present, a large number of employers split salaries into numerous allowances to reduce social security contributions. This helps employees as well as employers. The workers' take-home pay increases while the employers reduce provident fund contribution liability.

Restricting allowance to 50 per cent of the total pay would also increase employers payout on gratuity payments to those employees who work for more than five years in a firm. The gratuity is also worked out as proportion of the average pay.

The source said that the industry bodies agree that this would enhance the social security benefits for workers but are not ready for it due to economic slowdown.

The industry bodies want that the implementation should be put on hold till the economy rebounds again and buoyancy returns. Talking to PTI, Bharatiya Mazdoor Sangh (BMS) General Secretary Virjesh Upadhyay told that the representatives of trade unions are also called by the labour ministry to deliberate on the issue on December 24.

He was of the view that the industry should not bother about reduction in take-home salary of employees because it would not affect them.

He said that if the industry is so worried about the reduction in take-home pay of employees then they should increase their salaries to provide them a cushion.

Upadhyay who is also a trustee of Employees' Provident Fund Organisation (EPFO) alleged that the employers have been splitting salary into numerous allowances to reduce their provident fund liability.

Reasonable provident fund contribution is required because it enables them to provide for all necessities like children education and marriage, buying a home and expenditure on treatment of life threatening diseases.

Meanwhile, the labour ministry has notified the enabling provisions for constitution of Central Advisory Board which is mandated to fix minimum wages and advice the government on ways to increase employment in the country.