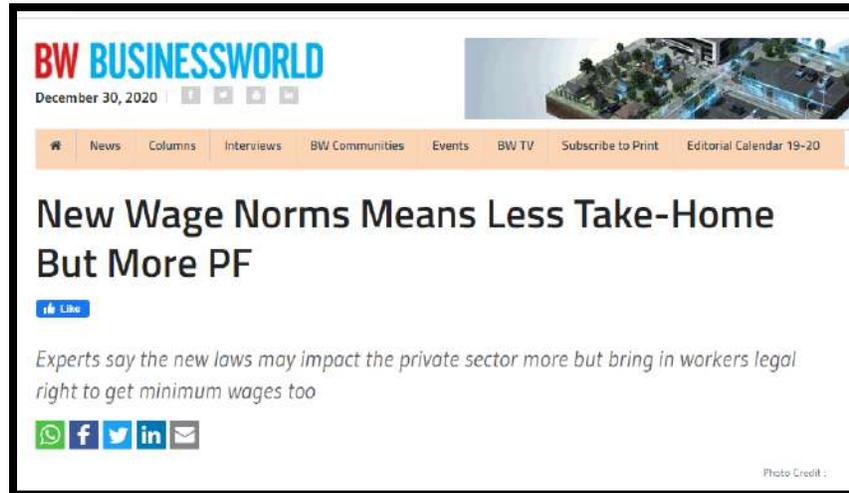


Media Coverage

Publication	Date	Edition	Link	Headline
Business World	29 Dec 2020	Online	http://www.businessworld.in/article/New-Wage-Norms-means-Less-Take-Home-but-More-PF/29-12-2020-359195/	New Wage Norms Means Less Take-Home But More PF



The proposed change to the Code on Wages, 2019, that are expected to come into force starting April 1, 2021, may lead to reduced 'take-home' salary while enhancing the retirement corpus. The proposed changes make it mandatory for companies to cap the 'allowance' component at 50 per cent of the overall 'Cost to Company' of an employee starting April 1, 2021. In simpler terms, it means that the Basic Pay will need to be 50 per cent of the current CTC starting April, 2021. Under the new norms, employers will have to increase the proportion of the basic pay leading to an increase in the Provident Fund (PF) and Gratuity contribution on part of both the worker and the employer.

Therefore, changes to the salary structure (assuming the CTC is unchanged), will lead to lesser amount in 'take-home' pay for April 2021 compared to April 2020. However, it will also mean an increase in PF contribution. These changes, experts say, are mainly expected for companies in the private sector.

The take-home pay after re-working the salary structure may get impacted by 5-10 per cent or more (depending on the total compensation, the correction to the Basic Pay etc.).

"Now, of all the sectors, the infrastructure, housing and the automobile industry are among those that may get heavily impacted because of the changes being brought about in the Code on Wages, 2019. The technology sector and the manufacturing industry could also get impacted," says RP Yadav, CMD, Genius Consultants.

Anil Mohanty, Head – People and Culture, Medikabazaar sees no major challenge in the pharma and the medical sector because of the roll-out of Code on Wages. Experts from the IT sector claim that it's too early to comment upon the impact it will have in their respective sector as companies who have already strategically drafted their

To read more click on the link

payout shall not get affected by this law, while those who fall under the category of streamlining the process, will be the actual sufferers.

Code on Wages, 2019, was passed in August last year and is likely to be implemented from April 1, 2021. It consolidates four laws relating to wages and bonuses, namely - Payment of Wages Act, 1936, Minimum Wages Act, 1948, Payment of Bonus Act, 1965, and Equal Remuneration Act, 1976.

Going Forward

The inclusion of unorganised sector under the ambit of the Code on Wages and implementing a national level floor wage for minimum wages is expected to hugely benefit a labour-intensive country like India. Promotion of technological advancements to do away with physical visits by select Inspectors and enabling conduct of inspections remotely is further expected to ease compliance and promote setting up of more enterprises catalysing the creation of more employment opportunities.