

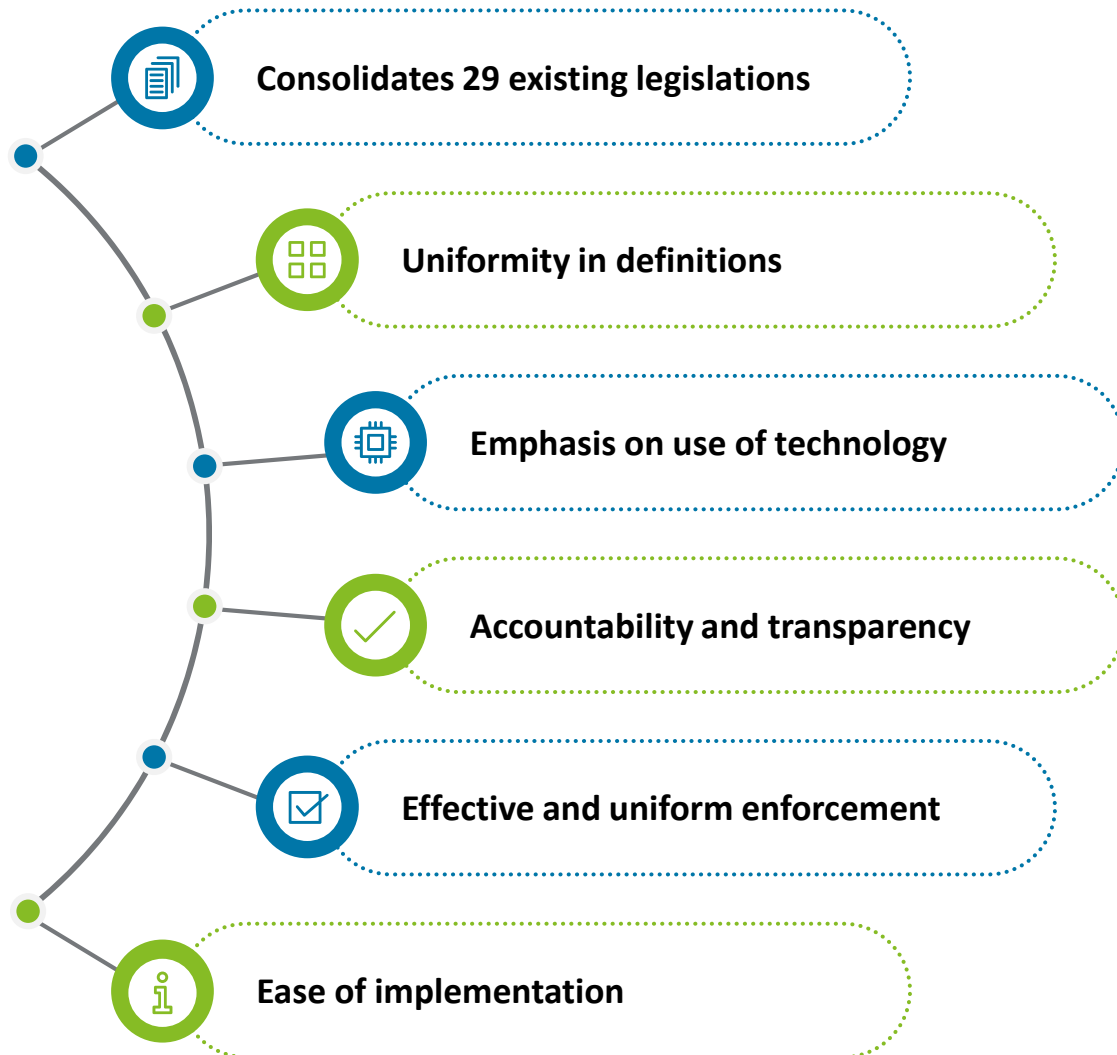
## India labour laws

November 2023

# New labour codes

# Labour Codes

An overview, key features, and progress so far



## Labour code - Key dates

### Code on Wages 2019 – 4 legislations subsumed

- Introduced in the Parliament on 23 July 2019
- Passed by Parliament on 02 Aug 19
- Received presidential assent on 08 Aug 2019\*
- Draft rules issued on 07 July 2020
- Issued by 31 states/ UT, pending by 5

### Industrial Relations Code 2020 – 3 legislations subsumed

- Introduced in the Parliament on 19 Sep 2020
- Passed by Parliament on 23 September 2020
- Received presidential assent on 28 September 2020\*
- Draft rules issued on 29 Oct 2020
- Issued by 29 states/ UT, pending by 7

### Code on Social Security 2020 – 9 legislations subsumed

- Introduced in the Parliament on 19 Sept 2020
- Passed by Parliament on 23 September 2020
- Received Presidential assent on 28 September 2020\*
- Draft rules issued on 13 Nov 2020
- Issued by 29 states/ UT, pending by 7

### Occupational Safety, Health and working conditions Code 2020 – 13 legislations subsumed

- Introduced in the Parliament on 19 Sept 2020
- Passed by Parliament on 23 September 2020
- Received presidential assent on 28 September 2020\*
- Draft rules issued on 19 Nov 2020
- Issued by 26 states/ UT, pending by 10

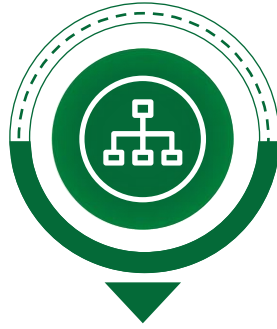
# Focus areas

The areas that are critical for Company's transition from the existing laws to the New legislation with optimal efficiency



## Understand "Wage" and quantify financial impact

- Understand the impact of the definition of "Wages" on salary structure, identify inclusions and exclusions to determine Wages.
- Quantify the financial impact on account of the changed definition of Wages.



## Aligning compensation structure

- Realign salary structure on account of the wage definition and optimise employee costs.
- Determine the impact of revising the salary structure and conclude on the financial impact, the take home pay of the employees, the retivals and possible tax implications.



## Aligning HR policies

- Realign the impacted policies\* as per the requirements of the labour codes
- \*say – Gratuity, PF, Maternity benefit, working hours, leave policy, overtime policy, rest days and related HR policies, appointment letters, timelines for wage settlement, retrenchment policy, medical examination facility etc.



## Work force categorisation

- Classifying employees into various categories say – on-roll regular employees; contracted/ third party employees, consultants/ retainers; international workers; gig/ platform workers, fixed term employees etc. and identifying compliances relating to the same
- Discussing core/ non-core activities and engagement of workforce around the same.



## Process realignment

- Identify touch points triggering change in compliance requirements and timelines
- Map the current compliance processes, identify areas of changes and realign the internal processes to meet the compliance requirements under the Codes.



## Ensuring compliance

- Need for meeting compliances under the Codes within the prescribed timelines based on the Codes, the Central and State rules.

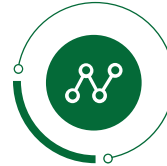
# Labour Codes – Potential Areas of impact to Company

Change in definition of “Wages” is likely to cause following six key areas of financial implications



## Gratuity Liability for the past and On going

Gratuity to be computed with respect to “Wages” as against “basic salary”. Gratuity payout is based on last drawn “Wages” and hence a one-time additional impact to Company on account of gratuity liability is expected. Further The annual additional liability towards gratuity would also increase since gratuity is now payable on “Wages”.



## Provident Fund

Additional PF contributions required for employees with PF wages less than Rs 15,000 p.m. and for “International workers”. Company could be impacted by additional costs in respect of contract employees as well. Company to determine the view to be adopted for employees with monthly PF wages exceeding Rs. 15,000 pm.



## Coverage under ESI and Statutory bonus

Given that coverage for the purpose of ESI and Bonus is to be determined based on the new definition of “Wages” number of employees to be covered under ESI and Statutory bonus is likely to change – possible cost impact relating to the same on Company needs to be determined.



## Minimum Wages – Qualifying wages

While minimum wage rates are to be issued by the State Government, qualifying wage to determine compliance with Minimum Wage has undergone a change, necessitating re-evaluation of compliance relating to the same.



## Leave Encashment

Leave encashment would need to be paid on “Wages” for workers.

Also leaves cannot lapse for worker category.

Potential increase in cost depending on the current basis of payout of leave encashment and the categorisation of regular employees.



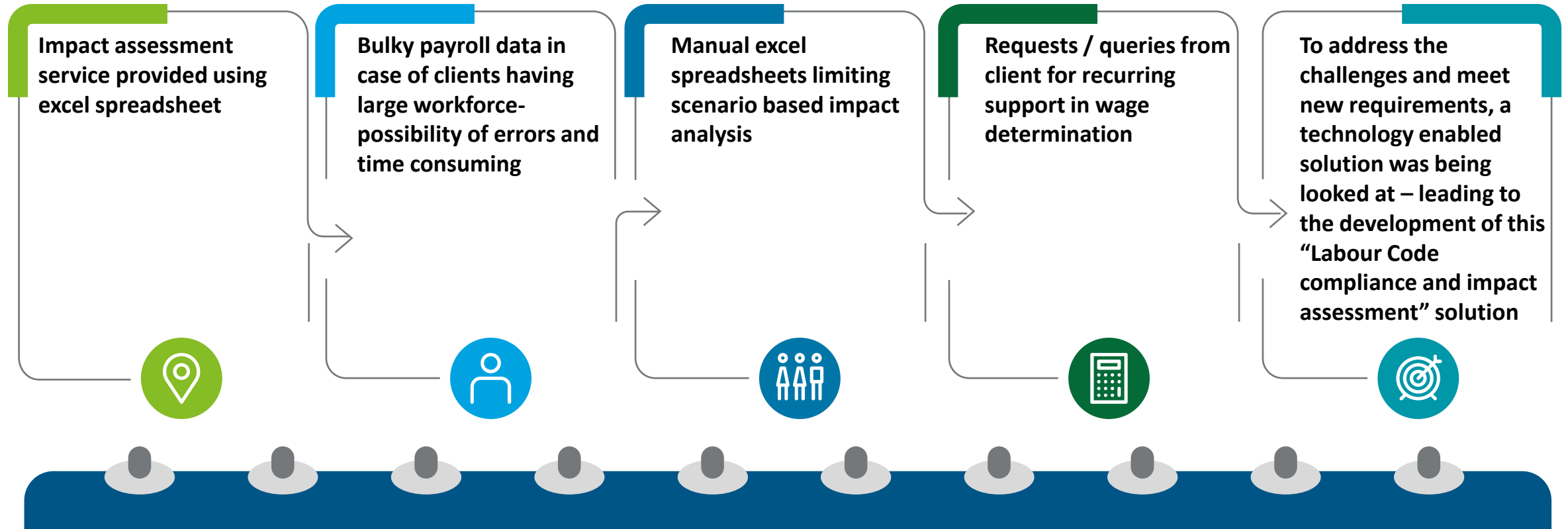
## Overtime

Overtime would need to be paid on “Wages” for workers.

Implications on overtime i.e. where a worker works for more than 8 hours on any day or for more than 48 hours in any week, he must be paid at twice the rate of his ordinary wages for overtime.

# Labour Code compliance and impact assessment tool

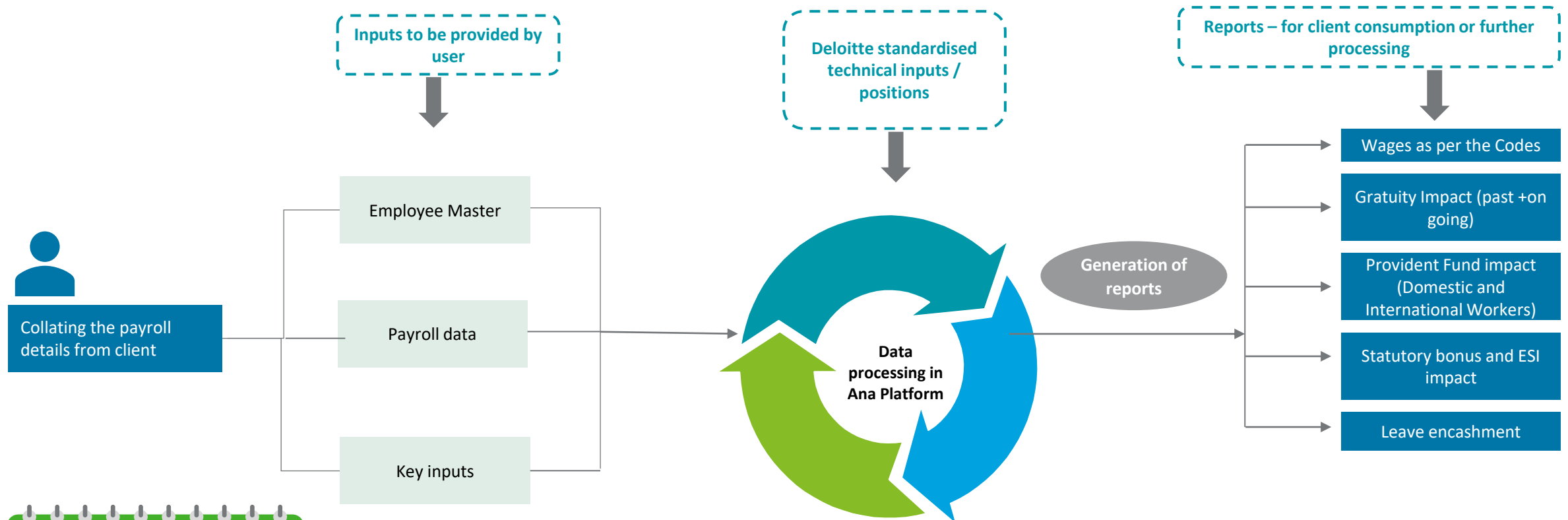
## Transition into automation



- **The labour code compliance and impact assessment tool** is intended to enhance the speed of delivery, minimise chances of errors, differentiate us from competition and set up a capability to support clients on an ongoing manner;
- Hosted on Anaplan and intended to be provided as managed service.

# Labour Code compliance and impact assessment tool

## Summary of Flow of Information



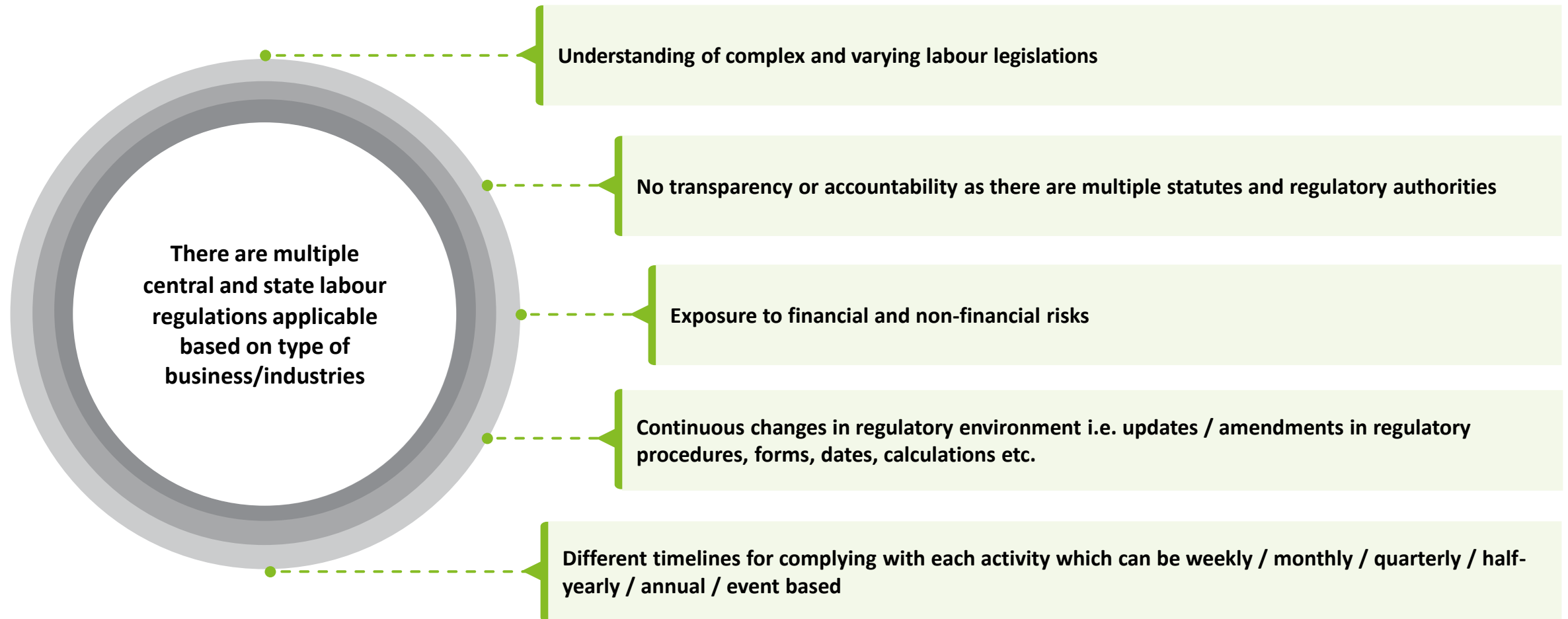
### Note:

- One month payroll data or one month CTC data will be used as an input for performing the impact analysis . The data received from employer can be imported to the tool directly with minimal manual intervention
- The position of each of the pay components in the salary structure of the employer in terms of wage definition under the code is built into the Anaplan which will help in processing the payroll data fed into the system to generate the reports
- Client specific positions to be provided as part of input data
- Output in the form of specific and consolidated reports based on requirement.



# Existing Indian Labour Legislation Compliances


# Labour Law Compliances: Challenges

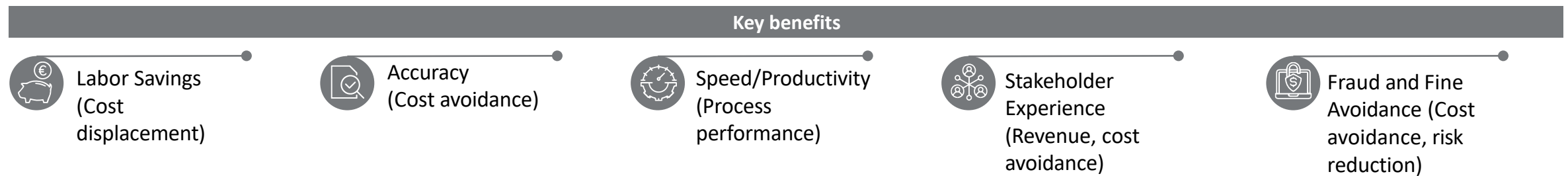


# Labour Law Compliances: Our strength



# Summary of various compliance requirements and deliverables

| How can we help organisation?  |   |  |  | Focus areas for organisation  |
|--|---|--|--|---|
| <b>Establishment Compliance Services</b>  <p>Assisting with establishment compliance services like assistance with regulations such as Shops and Establishments Act, Payment of Bonus Act, etc.</p> | <b>Other Compliance Services</b>  <p>Assisting with Other compliance services like assistance with regulations such as Employees' Provident Funds And Miscellaneous Provisions Act, Employees' State Insurance Act, etc.</p> | <b>Advisory Matters</b>  <p>Assisting with advisory matters like helping in due diligence, etc.</p> | <b>Registration</b>  <p>Obtaining registration for new establishment like obtaining business license under Shop and Establishment Act, EPF, ESI, PT, LWF registration, etc.</p> | Remittance of statutory payments<br>Preparation of statutory registers<br>Submission of statutory returns<br>Submission of statutory notices<br>Interface with the authorities for inspections and notices<br>Updates on labour laws<br>Consulting on labour laws<br>Display of statutory abstracts and notices<br>Approval for registrations and licenses<br>Principal employer compliance |
| <b>Notices</b> <p>Evaluating and responding to notices received from statutory authorities</p>   | <b>Exemption</b> <p>Obtaining exemption under labour laws</p>   |  |  |   |





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