Corporate India flags higher hiring costs under Labour Codes

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Indian industry representatives have flagged concerns about the new Labour Codes notified by the Centre, stressing particularly on a definitional confusion over wages and gratuity which they warned could significantly raise hiring costs for companies.

INDUSTRY BODIES RAISED THE ISSUES DURING A MEETING WITH THE UNION LABOUR SECRETARY ON WEDNESDAY

These issues were brought to the notice of the Union Ministry of Labour and Employment on Wednesday at a meeting chaired by Labour Secretary Vandana Gurnani with representatives of industry bodies.

"There is confusion regarding the definition of wages and how the 50 per cent wage out of total remuneration will be calculated. Companies need clarity on this," said a person aware of the developments said. "Moreover, gratuity has been reduced to one year for fixed term employees. Both issues will impose additional financial burden on companies," the person added.

"The industry bodies have been asked to quantify the anticipated financial burden. There is likely to be more rounds of discussions on the matter," the person said. The meeting was part of the labour ministry's efforts to get feedback from stakeholders before releasing the draft rules for the new labour codes for public consultation.

Under the Code on Wages, fixed term employees are now eligible for payment of gratuity if they serve for a minimum period of one year.

Earlier, there was no fixed ratio of wages and allowances and companies used to depress wages opting for higher allowances to reduce social security deposits for employees. Turn to Page 5 ▶

cent in India, among the highest in the industry, driven by strong performance across product categories and geographies. "By combining global innovation with local insights and execution, the partnership will strengthen Haier India's leadership position in the rapidly growing Indian consumer durables segment," it added.

IRFC to refinance ₹10K cr World Bank loan

Business Standard had reported in March that IRFC was in talks to refinance dollar-denominated multilateral institution loans owing to the currency exchange rate volatility witnessed sporadically. The first loan agreement with the World Bank for the eastern corridor worth $975 million was signed in 2011 and closed in 2019. Two further agreements were signed with the World Bank for loans of $1100 million and $650 million in 2014 and 2015 respectively, according to DFCCI's website.

Both the Eastern Freight Corridor, and the Western Freight Corridor, which entailed a Rs 72,000 crore investment to connect Uttar Pradesh and Maharashtra, were financed through multilateral debt. This included debt funding from the World Bank (Rs 14,900 crore) and the Japan International Cooperation Agency (Rs 38,722 crore) for the Eastern and the Western corridors, respectively, with the balance being met through gross budgetary support, according to the railways.

"For Eastern DFC, the loan period is 22 years including a moratorium period of 7 years for the World Bank. For Western DFC, interest will be paid to the Ministry of Finance at a rate of 7 per cent over the period of the loan, after the moratorium of ten years," the ministry told the parliamentary standing committee on railways in a report tabled last week. It added this arrangement between the two ministries will be reviewed at the end of the loan period.

Experts believe that the move augurs well for the government in several ways.

"There are multiple reasons why governments may opt for refinancing of multilateral loans," said Kuljit Singh, partner at EY India. "Primarily, governments may want to free up the limits of multilateral debt so that it can be allocated to other projects with limited viability, as multilateral institutions are generally lenders of last resort. Moreover, there is the possibility of insulating the project from currency fluctuations and potentially saving on costs," he noted. A project which was initially financed with limited viability may have become economically viable after a gestation period.

"In such scenarios, it could attract competitive terms through borrowings from the commercial market as well," Singh explained.

India Inc flags higher costs under Labour Codes

Under the new Codes, wages now include basic pay, dearness allowance, and retaining allowance. If the share of allowances including house rent allowance, conveyance allowance among others exceed 50 per cent of total remuneration, the labour code now mandates that the excess amount of 50 per cent will be added to the wage. This is done to ensure that at least 50 per cent of the remuneration is counted as 'wages', and helps increase social security contributions for workers.

In an interview with *Business Standard* last month, labour secretary Gurnani had said that the intention is to discourage the tendency to depress the wage and increase allowances. "It (the labour code provision) will increase the contribution to gratuity, which is something the employer has to give. It will increase the maternity benefit, which is linked to the wage and is, again, the employer's responsibility," she added.

The meeting on Wednesday was attended by representatives from the Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce & Industry (FICCI), Associated Chambers of Commerce and Industry of India (Assocham) and Federation of Indian Micro and Small & Medium Enterprises (FISME), among other.

US visa rules to hit students, entry level hires

Cyrus D Mehta, founder of New York based Immigration Law firm, said: "Companies will have to offer the highest range of wage to maximise the chances of the person being hired. The number of visas being issued under the H-1B category remains the same, i.e. 65,000, and 20,000 for those with advanced degrees. However, the priority now will be given to those who pay the highest salary." He said the new weighted system will impact students and entry-level professionals. The latest move will benefit big tech companies which will be able to offer higher wages.

However, the US government's decision to eliminate random selection and instead prioritise higher-paid, higher-skilled foreign workers is unlikely to significantly alter the hiring strategies of Indian IT services companies, according to industry executives and immigration experts.

Emails sent to TCS, Infosys, Wipro, Cognizant, and LTIMindtree, did not elicit a response till press time .

Late Tuesday night (India time), the Department of Homeland Security (DHS) amended regulations to replace the random lottery with a weighted process based on skill and wage levels. In a press note, the DHS said the change was intended to "better protect the wages, working conditions, and job opportunities for American workers". "The existing random selection process of H-1B registrations was exploited and abused by US employers who were primarily seeking to import foreign workers at lower wages than they would pay American workers," said US Citizenship and Immigration Services Spokesperson Matthew Tragesser.

Currently, the US issues 65,000 H-1B visas a year, with an additional 20,000 reserved for advanced degree holders from US universities. Indian firms have historically secured a large share of these visas, though many have reduced their dependence over time by increasing onshore hiring.

The lottery hasn't been eliminated, it is no longer "random", noted Poorvi Chothani, managing partner at LawQuest. Selection will now be weighted based on the Department of Labor's Occupational Employment and Wage Statistics (OEWS) levels. Under the revised system, candidates offered Level 4 wages, the highest tier, will be entered into the selection pool four times, Level 3 candidates three times, Level 2 twice, and Level 1 only once. Employers should therefore prioritise candidates whose skills and qualifications justify a Level 4 wage, said Chothani. For large Indian IT firms, the impact is expected to be manageable. "H-1B dependence has already declined materially," said Gaurav Vasu, founder and CEO of UnearthInsight. "Applications by top Indian IT companies fell from about