

Cabinet decision on bonuses could brighten Diwali, Bihar

Cabinet clears ordinance doubling salary ceiling eligibility, bonus payout of industrial workers



Photo: Hindustan Times

New Delhi: More industrial workers will be eligible for more bonuses, thanks to an executive order of the National Democratic Alliance (NDA) government that should result in a spike in consumer spending in the festive season and also help the cause of the Bharatiya Janata Party (BJP) in the ongoing elections in Bihar.

The Payment of Bonus Amendment Bill ordinance, one of three cleared by the union cabinet on Wednesday, doubles the salary ceiling eligibility of industrial workers as well as doubles the bonus payout. Like the other ordinances, it will have to be approved by the President.

The ordinance, cleared in the midst of ongoing assembly elections in Bihar and ahead of the festival of Diwali next month when workers are usually paid their bonuses, makes all industrial workers drawing a monthly salary up to ₹21,000 eligible for bonus, as opposed to the current ceiling of ₹10,000.

Besides, the bonus amount will go up to ₹7,000, instead of the current peak of ₹3,500.

The changes will be effective retrospectively from 1 April 2015, according to a cabinet note reviewed by *Mint*. The last change in the bonus law was made in 2007 and took effect retrospectively from 1 April 2006. The Payment of Bonus Act 1965 is applicable to every factory and every other establishment in which 20 or more persons are employed.

The other ordinances deal with the Arbitration and Conciliation Act and the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts bill, 2015 and are aimed at speedy settlement of commercial disputes and increasing the ease of doing business in India.

Improving India's standing in the World Bank's (ease of) Doing Business ranking (currently 142 out of 189 countries) is one of the stated objectives of the NDA, which hopes to breach the 100 mark in the next edition of the study.

The decisions were taken in a cabinet meeting chaired by Prime Minister Narendra Modi but were not officially announced as elections are on in Bihar. As per the advice of the Election Commission of India, the central government can bring in the ordinances but won't be able to publicize it as it will be seen as a violation of the election code.

Pro-labour move

The bonus ordinance is expected to appease trade unions as well as opposition political parties that have been accusing the government of being anti-poor and anti-labour.

The clearance of the ordinance on bonuses during the ongoing Bihar elections will not benefit the BJP, said Sanjay Singh, spokesperson for the Janata Dal (United) that's the ruling party in Bihar.

"This step by the BJP will definitely not help them in anyway in the Bihar elections. Workers are aware these days; they know how not to get into these traps," he said.

The Bharatiya Mazdoor Sangh (BMS), a trade union affiliated to the ruling Bharatiya Janata Party, noted that the increase in salary ceiling and bonus payout had come after nine years.

And "it begins the process of fulfilling many of the promises the government has made to the unions", said Virjesh Upadhyay, general secretary, BMS.

BMS pulled out of a nationwide workers strike on 2 September, breaking ranks with other national trade unions, saying that the Union government needed to be given time to fulfil its promises.

“Our decision to withdraw from the strike now stands justified. You will see more (pro-labour) promises being fulfilled,” Upadhyay added.

Doing business

The Arbitration and Conciliation Act ordinance 2015 will fast-track the alternative dispute resolution mechanism and set an effective deadline for courts and arbitrators. It is an attempt to improve the legal framework relating to arbitration and attract greater foreign investment to India.

On 26 August, the cabinet accepted a suggestion and set a maximum 18-month time limit for arbitrators to rule on proceedings and also included a provision for disputing parties to opt for fast-track arbitration or dispute resolution within six months in the bill.

The ordinance, once approved by the President, will put the system in place immediately pending a Parliamentary nod, for which the government will have six months.

“The amendment is a much-awaited positive step from the government in support of its initiative on the “ease of doing business”. The real impact on efficiency of arbitral procedure will be seen if now there is change in mindset and culture in the manner we conduct arbitration in India,” said Vyapak Desai, partner, Nishith Desai Associates, a law firm.

Separately, the cabinet also cleared an ordinance to bring into force the Commercial Courts, Commercial Division and Commercial Appellate Division of High Courts bill, 2015. In July, the department of law and personnel tabled the bill in Parliament. It is now pending before a Parliamentary standing committee.

The law is aimed at reducing the case burden on high courts. If passed, it will mean civil suits involving less than `2 crore will not go to the high courts. Currently, a case involving anything over `20 lakh can. As a result thousands of pending cases in the high court will be transferred to the district courts. For example, in Delhi alone, 12,000 cases will stand transferred to six lower courts.

The cabinet also approved the signing of an agreement with Egypt and a treaty with the Maldives aimed at improving India’s relations with the two countries. India will sign a maritime transport agreement with Egypt and the Mutual Legal Assistance Treaty in Criminal Matters with Maldives.

PTI and Srishti Gupta contributed to this story.