Business Standard

Social Security Code provides for linking fine with inflation

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Probably for the first time, the Centre will be empowered to align pecuniary penalty with retail inflation for violations by employers under social security laws, according to draft labour code.

Besides this, the draft Labour Code on Social Security 2018 provides concept of community service order to reform offenders. At present, violation under social security laws attracts either fines, imprisonment or a combination of both.

Once the code is implemented, the government will not have to approach Parliament for increasing fines under the social security legislation.

The draft code would subsume 15 social security laws including Unorganised Workers' Social Security Act, 2008; Employees' State Insurance Act, 1948; Employees' Provident Funds and Miscellaneous Provisions Act, 1952; Maternity Benefit Act, 1961; Payment of Gratuity Act, 1972 and Building and Other Construction Workers Cess Act, 1996, among others.

Earlier this year, Labour Ministry had circulated the Bill and invited comments on it. The draft law is at consultation stage.

Section 161 of the code provides the central government may, by notification increase, reduce or otherwise modify the fines by linking their increase or reduction to the change in Consumer Price Index.

According to the code, there is a provision of community service order to undertake unpaid work as directed by the court, in cases where the punishment for the offence committed is not more than two years of imprisonment and the court considers it a fit case for awarding the community service order.

In cases where offenders will to comply with community service orders without reasonable cause shall be guilty of an offence and, without prejudice to the continuance in force of the community service order, shall be liable to a fine from Rs 50,000 to Rs 2 lakh or with imprisonment which may extend to six months or with both.