

Allsec SmartConnect

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ALLSEC TECHNOLOGIES
Building Lasting Relationships

Greetings,

I am delighted to announce the first issue of Allsec SmartConnect, a newsletter for the HR fraternity tailored to keep you updated on recent happenings in the HR world.

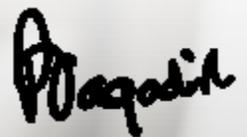
The last few decades have seen some radical changes in the way globalization has influenced both individuals and organizations. Countries and geographies have opened up to each other, leading to a rapidly expanding technological era that has given rise to a compelling need for awareness and information exchange. From being the new kid on the block a couple of decades ago, the relatively mature outsourcing industry has transformed continually to accommodate newer changes. "Technology", "security" and "compliance" have ceased being buzz words in the industry and have become necessities, and managing all of these pillars separately and together has become a specialized art of kinds.

At Allsec, we understand that this change is inevitable. It has become imperative to merge these three pillars to provide fresh dimensions to people and HR management. In order to be equipped with the knowledge of right management, we recognize the importance of right information. We believe that the world has a need now, more than ever, for a medium of constant knowledge exchange.

We are attempting to address this need with this HR newsletter, an information vehicle that leverages our domain expertise of 15 years in HR and payroll outsourcing with the adoption of leading edge technology. Since inception, Allsec has steadily transformed from being a payroll services provider to a comprehensive HR solutions provider. Today, we believe that our team of experts is well equipped to provide the right information, from the right source, at the right time.

In keeping with that idea of knowledge exchange, this newsletter will not only keep you updated of statutory and regulatory information, but will also give you different perspectives to HR and payroll management from various experts in the field.

I welcome your suggestions and feedback to augment the content of this newsletter. Please write to smartconnect@allsectechinc.com.



R. Jagadish, CEO

Emerging Trends in Payroll Outsourcing – Input Collation

One of the key factor for success in any outsourced payroll relationship is the provision of timely and accurate payroll inputs to the service provider. Payroll inputs primarily come from the HR department, finance department and the employee.



Large organizations with multiple entities and locations, that have outsourced their payroll function, find it difficult to compile accurate and timely inputs from various internal sources. These organizations employ resources, specifically to gather and sanitize inputs for the service provider. This leads to cost escalations and ultimately, the true benefits of outsourcing payroll are muted.

There is an increasing demand that the payroll service provider be responsible for collecting payroll inputs. These demands have forced service providers to enhance their technology skills for input collation from various client ERPs in a secure and encrypted way. Solely depending on the outsourcer to provide accurate and timely inputs has become passé. To achieve this objective, service providers endeavor to completely automate input collation from the

source to the payroll platform, with adequate validation and rules. Some of the methodologies used are –

a. Sending pre-validated Excel templates to the outsourcer

Pre-validated excel sheets are provided by the service provider to the outsourcer for input collection, and subsequently uploaded by the outsourcer to a secure FTP server. While methods of providing uploadable templates have been in practice, incorporating macros-enabled validations helps avoid errors.

a. Interfacing with outsourcer ERPs such as PeopleSoft, Oracle HR or SAP

Service provider's data docking applications reside in a staging server and ensure that changed data from the outsourcer ERP is periodically pushed into the staging database using web services. This data is subsequently pushed into the live payroll engine for processing. This method of input collection has recently gained ground.

Dropping files into a neutral zone for the service provider to retrieve continues to be the best method of input collation that does not compromise on data security. In this case, the outsourcer extracts the input files from the ERP and places them on the SFTP staging server, for use by the service provider in processing payroll.

Such increased use of automation helps manage input collation from multiple sources through access control mechanisms and has proved effective in curbing payroll errors. This shift in onus of input collection from the core HR department to the service provider has ensured that payroll outsourcing is carried out in its truest form.

Statutory Wage Ceiling increased under the PF and EDLI Schemes

Ministry of Labour and Employment vide Notification dated 28 August 2014 has increased the statutory wage ceiling limit for –

- Provident Fund and Pension Fund Schemes from Rs. 6,500/- to Rs. 15,000/- per month; and
- Employees Deposit-Linked Insurance Scheme from Rs.1,30,000/- to Rs.3,60,000/- .

The amendments came into force w.e.f. 1 September 2014. The impact of the notification is as follows –

- More employees are now covered under the scheme. The employer is now obliged to make contributions for a larger population.
- Higher contributions are payable for each employee. Now that the threshold limit has been increased, the limit on the monthly contribution by the employee towards the Provident Fund will increase by 130%.



Other Recent Changes under the Provident Fund Scheme

- UAN introduced to improve the quality of service and to eliminate the dependency on the employer for transfers, withdrawals, etc.

http://www.epfindia.com/UAN_Services.html

- Provident Fund payments can now be made online through various banks vide list published by EPFO.

http://www.epfindia.com/Banks_online_payment_gateway.pdf

Debate on definition of Basic Wages under the Act

Courts have held that any allowance which is *ordinarily, necessarily and uniformly* paid to all employees forms a part of the basic wages. In this context, it is relevant to note that the obligation under the EPF Act is to make a contribution of 12% on the *basic wages, dearness allowance and retaining allowance*. There is still some ambiguity around whether allowances such as special allowance (which is usually a guaranteed amount and paid to all employees) would need to be included when calculating PF contributions.

The debate is still on and in order to avoid penalties, interest and other litigations, it is safe to include all allowances and limit it to the mandatory ceiling for the contribution of Provident Fund. By all means, the intent of this regulation is social security and interpretation by the Apex Court (in this case, the Provident Fund Commissioner) would become final and binding on employers.

FAQs	Minimum Wages As Per Law
Is there a separate minimum wage legislation in India?	Yes, there is a separate minimum wage legislation in India. Minimum Wages Act, 1948 is an Act to provide for fixing minimum rates of wages in certain employments and it extends to the whole of India.
Do one or more minimum wage/s exist in India?	There exists more than one minimum wages in India. As per Section 2 of the Act and Section 27, 28 it is mentioned that State as well as Centre has the power to form Minimum Wage rates
At what level are minimum wage determined?	In India, minimum wages are declared at national, regional, sectoral and occupational or skill level. As per Section 3 of the Act minimum rates of wages may be fixed at national & state level. Also, Section 3 (3) of the Act specifies that minimum rates of wages may be fixed for different skills and occupations
On what basis is/are minimum wage/s declared?	Minimum wages in India is declared on daily, hourly, and monthly basis. As per section 3 (b) of the Act defines that Minimum Wages are as per the piece rate, hour rate, and monthly rate as well
In case of daily/weekly/monthly minimum wage, are number of working hours considered while fixing minimum wages?	As per Section 3 (14) (b) of the Act there has not been any specific time period. But may be in accordance to the period fixed under section 4 of the Payment of Wages Act, 1936 (4 of 1936)
Who all are involved in setting minimum wages?	As per Section 9 of the Act upratings are based on decision jointly made by the Government, employer and trade union representatives
How are upratings (adjustments) of minimum wage/s decided upon?	As per Section 9 of the Act upratings are based on decision jointly made by the Government, employer and trade union representatives
Which are the components of minimum wages in India?	Minimum wages in India has both fixed and variable component. Section 4 mentions that minimum wages may be inclusive of basic pay and with special allowance on which it is based.
How frequently is the fixed component of minimum wages updated?	Fixed component of minimum wages are updated in more than 2 years. Section 3 of the Act mentions that the period for revision of fixed component of minimum wages can be anywhere within 5 years of its fixation.
How frequently is the variable component of minimum wage updated?	Variable component of minimum wages are updated at irregular time lags. Section 4 of the Act mentions that the special allowance rate should be adjusted at such intervals and in such manner as the appropriate government may direct
What are the yardsticks on which minimum wage revisions are based?	Section 4 of the Act mentions that Minimum wages are based on basic wages and cost of living index. The yardsticks on which minimum wage is revised are: (a) Three consumption units per earner, (b) Minimum food requirement of 2700 calories per average Indian adult, (c) Cloth requirement of 72 yards per annum per family, (d) Rent corresponding to the minimum area provided under the Government's Industrial Housing Scheme (e) Fuel, lighting and other miscellaneous items of expenditure to constitute 20 % of the total Minimum Wages (f) Children education, medical requirement, minimum recreation including festivals/ceremonies and provision for old age, marriage etc. should further constitute 25% of the total Minimum Wage.

FAQs	Minimum Wages As Per Law
What is the national poverty line? (In national currency)	The national poverty line is Rs. 356.30 in rural areas and Rs. 538.60 in urban areas, per capita per month as updated by all-India poverty lines 2004-05
How often is poverty line updated?	This scheme is included under Five Year plan as per the Planning Commission of India. Hence, poverty line is updated in every 5 years.
When was poverty line last updated?	Poverty line was last updated in the year 2004-2005
What is the percentage of minimum wage relative to the current poverty line?	The percentage of minimum wage relative to the current poverty line is 581.65% ($100 \times 26 / 447 \times 100$). National Floor level of minimum wage (Rs 100 per person per day) has been used to calculate this figure. In order to derive monthly minimum wage, Minimum Wage rate is multiplied by 26 (number of work days in a month). National poverty line is calculated by taking an average of the rural and urban poverty line (Rs 447 per person per month).
How is minimum wages compliance regulated?	As per section 19 of Minimum Wages Act, 1948 the appropriate government may by notification in the Official Gazette appoint such persons as it thinks fit to be Inspector for the purposes of this Act and define the local limits within which they shall exercise their functions.
Which legal sanctions can be applied if compliance is lacking?	In case of non compliance, fines, imprisonment and payment of arrears can be applied as per law. Section 22 of the Act mentions that if any one contravenes the rules formed under the Act he may be punished to pay fine, imprisonment which may extend to period of six months or payment of arrears by the employer to the employee.
Are employer and/or trade union representatives involved in compliance procedures?	Information pertaining to this is not specified in the Minimum Wage Act.
To whom/where can individuals complain, if they think they are earning less than minimum wages.	In case individuals earn less than specified minimum wages, they can complain to Labour Inspectorate coordinates or Trade Union Coordinates. As per section 19 of Minimum Wages Act, 1948, government may appoint such person as it thinks fit to be Inspectors for the purposes of this Act. As per section 20 (2) of Minimum Wages Act, 1948 it mention that employee can make complain in writing by himself or through any legal practitioner or any official of a registered trade union authorized to act on his behalf or any Inspector or any person acting with the permission of the authority

Common Compliances

Due date	Which Compliance?	Under which Act?	In which form?	Whom/where to send?
15 of every month	Remittance of contributions	Employees' Provident Funds & MP Act, 1952	Challans along with Form 12-A	Concerned regional office
15 of every month	Entitlement of every regional worker with nationality and wages (I.W.S)	Employees' Provident Funds & MP Act, 1952	Form 5 along with declaration in Form 2	Concerned Regional office
21 of every month	Remittance of contributions	Employees' State Insurance Act, 1948	Challans	Concerned Branch office
25 of every month	Return of employees qualifying for Employees' provident fund & aggregate of contributions	Employees' Provident Funds & MP Act, 1952	Form 5, 10 and 12 A	Concerned Branch office
Every quarter within 30 days of due date	Quarterly return for quarter ended 31 st March, 30 th June, 30 th September and 31 st December	Employment exchanges (CNV) Act, 1959 & Rules	Form ER-1 Rule 6	Local Employment exchange

Month- wise Compliances

Month	Date	Which Compliance?	Under which Act?	In which form?	Whom/where to send?
Jan	15	Annual Returns	Factories Act, 1948	Form 21 as prescribed in state rules	Chief Inspector /director or other competent authority of the area
Jan	21	Annual returns and details of payment ending 31 st Dec	Maternity Benefit Act 1961	Forms L,M,N&O; Rule 16(1)	Competent Authority under the Act
Jan	30	Half yearly return by contractor (in duplicate)	Contract Labour (R&A) Act, 1970 and rules	Form XXIV: Rules 82(1)	Concerned Licensing officer

Month- wise Compliances (continued...)

Month	Date	Which Compliance?	Under which Act?	In which form?	Whom/where to send?
Feb	1	Annual Return	Minimum Wages Act, 1948	Form III: Rules 21 (4A)	Concerned Area of Inspector of Factories
Feb	1	Annual Return	Payment of Wages Act 1936 & related mines rules	Form XXIV: Rules 82(1)	Concerned Licensing Officer
Feb	15	Annual information about factory/establishment covered	Contract Labour (R&A) Act, 1970 and rules	Form XXV: Rules 82(2)	Concerned Licensing Officer
April	30	Annual Return	Employees' Provident Funds & MP Act, 1952	Form 3-A, 6-A	Concerned Regional Officer
May	12	Quadruplicate along with Challans Half Yearly return	Employees' state insurance Act 1948, Rules and Regulations	Form 5: Sec 44: Regulation 26	Concerned Branch Office
July	15	Half Yearly Return	Factories Act, 1948	Form 22 prescribed in the Act/Rules	Concerned director/Inspector
July	30	Half Yearly Return by Contractor	Contract Labour (R&A) Act, 1970	Form XXIV: Rule 82(1)	Concerned Inspector
Nov	11	Return of contribution along with triplicate copy of Challans half yearly return for the period ending April to Sept	Employees' State Insurance Act, 1948, Rules & Regulations	Form 5 : Sec 44: Regulation 26	Concerned Branch Office
Nov	30	List of holidays for next year	Factories Act, 1948	No Form prescribed	Intimation to Director/Chief Inspector of factories
Dec	30	Annual Return, within 30 days after the expiry of 8 months from the close of the accounting year	Payment of Bonus Act, 1965 & Rules	Form D: Rule 5	Concerned Inspector under the Act

Compliances – On Occurrence

Occurrence	Action	Under which Act?	In which form?	Whom/where to send?
Accident	Report immediately if fatal/death & within 48hrs in ordinary cases	Employees' State Insurance Act, 1948,	Form 16	Concerned local office/ dispensary of ESI
Accident/ dangerous occurrence	Notice forthwith of occurrence	The Factories Act, 1948	As prescribed in state rules	Inspector/Director of Factories
Accident	Report within 12 hours of occurrence	The Factories Act, 1948	As prescribed in state rules	Inspector/Director of Factories
Serious bodily injuries/ fatal accidents	Report within 7 days of accident	The Employees' Compensation Act, 1923	Form EE	Concerned Commissioner of Employees' Compensation
As per Column 1 of the Act	Report within 15 days of commencement or completion of contract	The Contract Labour (R&A) Act, 1970	Form VI-B	Concerned Authority under the Act
Renewal of License	Application for renewal of license in triplicate not less than 30 days before expiry of license	The Contract Labour (R&A) Act, 1970	Form VII: Rule 29(2) Refer to State Rules	Concerned Inspector

About Allsec

Allsec is a global company with vast expertise in providing Business Process Solutions across various industry verticals.

Founded in 1998, Allsec Technologies Limited began as an integrated contact centre for businesses intending to outsource their support processes. Gaining over 15 years of domain experience, the company has rapidly expanded with acquisitions across the globe and has extended its expertise to a wide gamut of processes that augment and support businesses.

Our solutions are testimony to the fact that we are a highly customer-centric, flexible and transparent service provider. By taking process responsibility, improving cost efficiencies, and adding value to client businesses through continuous process improvements and quality assurances, Allsec distinguishes and enhances business experience for its clients.



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