

## India Inc to feel weight of bulkier payslips: Rise in cost of bonus, gratuity, overtime benefits to raise cos' salary outgo

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### Getty Images

Labour-intensive companies such as those in manufacturing, and MSMEs, and companies with fragmented pay structures, will see a steeper cost increase.

**New Delhi:** India Inc may see an increase in the wage bill as corporates adjust HR and compensation policies to comply with the new labour codes.

Experts told ET that implementing the recently-introduced four labour codes could inflate manpower costs for several companies by 5 to 10%, or even more.

Employers where variable components and allowances form a large component of the salary structure will see a marginal increase in the salary bill, said Viswanath PS, chief executive at Randstad India, a talent company. "In such cases, a 5-10% increase in manpower cost is a reasonable estimate, though the exact impact will vary by industry and the current compensation design," he said.

The higher wage bill is mainly due to a likely increase in the cost of benefits such as gratuity, overtime, bonus, and leave encashment as these will be computed with reference to the new wage definition, said Sonu Iyer, national leader, people advisory services - tax at EY India.

According to Iyer, labour-intensive companies such as those in manufacturing, and micro, small, and medium enterprises (MSMEs), and companies with fragmented pay structures, will see a steeper cost increase.

**Costlier Manpower**

Cos' wage costs can go up by 5 to 10%

Mostly in cases where variable components, allowances make up a large part of the salary structure

**Why?**  
Gratuity, overtime, bonus and leave encashment to go up across firms

**Codes and Changes**  
Code on Wages brings a uniform definition of 'wages'

Labour codes effective from 21 November '25

**Fully Notified:** Industrial Relations and Occupational Safety Codes

**Partly Notified:** Codes on Wages and Social Security

"The codes specifically prohibit the employer from reducing the wages of the employees...So employees stand to gain from labour codes," said Sudhakar Sethuraman, partner, Deloitte India.

### 'Compliance Costs to Ease'

For employees, the quantum of wage hike will however hinge on factors such as compensation structure, and years of service. Companies are also reassessing hiring models, especially balancing between contract and fixed term employment, alongside reviewing salary structures to align with the uniform wage definition, said experts.

"As remuneration in kind (if any) up to 15% will be treated as wages, all employers will now need to re-examine what components of their current compensation structures will be treated as a 'wages', and which ones will be excluded from the definition," said **Atul Gupta, Partner - Labour and Employment Practice at Trilegal**, a law firm. Among the various benefits employees normally get, the impact on gratuity is likely to be the most prominent, noted Gupta.

"An increase in manpower costs on account of the recent labour codes may go up in the 5-12% range for a typical organised employer. And if the workforce was over indexed on allowances or contract labour, it may be 10-15 %, or more," said Prabir Jha, founder and CEO, Prabir Jha People Advisory.

The Centre, however, believes that the significant reduction in compliance burden under the codes will offset any increase in employer cost arising from overtime payment or mandatory health check-up of workers