



Study of Procurement Procedures on Manpower Oriented Services as Non-Consultancy Services under Publ

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Abstract: A strategy for procurement of manpower oriented services such as Security Services, Housekeeping & Cleaning and Outsourcing staff for Drivers, Carpenters, Plumbers, etc., under the gambit of the Public Procurement is non-existent. The Government departments, PSUs, Corporations etc are employing different means and methods for employing manpower on contract basis, resulting in confusion and disorder. Although guidelines are available on Minimum Wages under Minimum Wages Act, 1948, the procedures are not exhaustive on service contracts. The minimum basic rates of wages in respect of Skilled or Semi Skilled or Unskilled workers are linked to the Consumer Price Index (CPI) Numbers as per Part-I of the Schedule of the Minimum Wages Act, 1948, published from time to time by the Government. The Cost of Living Allowance to be paid per each point of increase is also fixed by the Government. No guidelines are available to make these provisions as a contract document for legal obligation on both the parties of the contract. Further no guidelines are available for selection mechanism for an appropriate service provider, sparing few criteria such as Labour Registration, Labour Contract License, Service Tax registration, EFP & ESI registration etc. To overcome the problems associated with selection of service providers, payment of minimum wages and compliance with other statutory rules etc., in the framework of a contract agreement efforts have been made in specific areas to arrive at consensus guidelines. Based on this objective, estimates & tenders have been formulated with the regulations of the Department of Labour, Government of Telangana. Procurement procedures have been evolved in the Engineering Department of Jawaharlal Nehru Technological University, (Autonomous Institution) Higher Education Department, Government of Telangana under the Public Procurement Procedures. Procurement guidelines have been arrived based on detailed technical evaluations on a real time study between 2012-2016.

Keywords: Minimum Wages, Compliance with Labour Laws, Eligibility

1.0 Introduction

The main objective is to prepare guidelines for procurement of non-consultancy services such as Security Services, Housekeeping & Cleaning and Outsourcing staff for Drivers, Carpenters, Plumbers, etc., in the Public Sector. Presently the procuring agencies are following general procedures which are not specific to non-consultancy services. The general procedures being so adopted are vague in finalizing the wages, cost estimates and vendor selection. The existing system is not successful in choosing a right service provider with relevant experience as well who is fully compliant with the labour laws and other guidelines issued by the Central/State Governments from time to time. For example emphasis is given only on annual turnover in terms of either value or quantity or sometimes both. The metrics of selection is seldom confined to a mere past performance making the exercise of the selection process futile. Further the calculation of minimum wages and enhancement & apportionment of variable dearness allowance component is rudely handled, making the workers / labours suffer, resulting in unrest and legal entanglements. The problems associated with the improper service contracts are often leading to court cases, contractual obligations, disruption in services and injustice to the workforce. In the process, the services are getting affected very badly, destroying the very purpose of the service contract. On detailed examination of the existing procedures, three distinguished problem areas are identified which needs to be addressed and they have become the primary objective of the present study. They are: (a) Calculations of minimum wages, VDA, EPF, ESI & Service Tax, (b) Conditions stipulating the eligibility criteria and compliance with the relevant laws under statute, and (c) invitation of bids on tender premiums, both negative and positive, instead of on service charges.

2.0 Existing Methods

For the purpose of this study and to prepare requisite guidelines on procurement of the above non-consultancy services, tenders and service contracts of Technical Education Department and Roads & Buildings Department are selected and evaluated. The service contracts have been thoroughly studied for the objective to identify the shortcomings.

The Housekeeping services include 'Sweeping & Cleaning' of the premises to maintain them to stated standards by deploying required manpower. In the process, the service provider is expected to arrange necessary machinery and cleaning liquids etc to upkeep the hygiene of the property. The Landscaping services include



maintenance of lawns/plants by applying manure, pest control or plant protection such as insecticides and pesticides etc., removing of weeds, trimming, application of water etc., by deploying necessary manpower. The process involves provision of machinery and materials apart from the labour to preserve plant life.

3.0 Wage Component

Vide Section 3.2(a) of the Minimum Wages Act,1948¹, “The appropriate Government shall fix the minimum rates of wages payable to employees employed in an employment specified in Part I or Part II of the Schedule and in an employment added to either Part by notification under section 27” and vide Section 3.2(b) of the Act “The appropriate Government shall review at such intervals as it may think fit, such intervals not exceeding five years, the minimum rates of wages so fixed and revise the minimum rates, if necessary”.

Vide Section 2.2(h) of the Act, "wages" means all remuneration, capable of being expressed in terms of money, which would, if the terms of the contract of employment, express or implied, were fulfilled, be payable to a person employed in respect of his employment or of work done in such employment, 1[and includes house rent allowance], but does not include (i) the value of: (a) any house-accommodation, supply of light, water, medical attendance, or (b) any other amenity or any service excluded by general or special order of the appropriate Government; (ii) any contribution paid by the employer to any Pension Fund or Provident Fund or under any scheme of social insurance; (iii) any travelling allowance or the value of any travelling concession; (iv) any sum paid to the person employed to defray special expenses entailed on him by the nature of his employment; or (v) any gratuity payable on discharge;

Vide Section 4 of the Act the Minimum rate of wages.-(1) Any minimum rate of wages fixed or revised by the appropriate Government in respect of scheduled employments under section 3 may consist of (i) a basic rate of wages and a special allowance at a rate to be adjusted, at such intervals and in such manner as the appropriate Government may direct, to accord as nearly as practicable with the variation in the cost of living index number applicable to such workers, referred as "cost of living allowance"; or (ii) a basic rate of wages with or without the cost of living allowance, and the cash value of the concessions in respect of supplies of essential commodities at concession rates, where so authorized; or (iii) an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any.

No provision is made in the service contracts for allowing the variation in the cost of living index number or "cost of living allowance" applicable to such workers resulting in non-compliance with the law. The cost of living allowance is popularly known as Variable Dearness Allowance (VDA) points, usually published by the Commissioner of Labour Department of respective State Government once in every six months.No adjustments of VDA during the contract period are made in all the cases. This is a violation of Minimum Wages Act in respect of payment of minimum wages to the workers as envisaged in the Act. The contract document fails to address this problem.

Next important part in the wage component is the contributions to the Employee Provident Fund Account of the individual under Employee's Provident Fund Act,1952². The contributions shall be by both Employee and Employer as per the Contribution Rate³ published by Employee's Provident Fund Organization, India, Ministry of Labour & Employment, Government of India.

The existing wage limit for coverage under the Employee's Provident Fund Act,1952 is Rs. 15,000/- per month (w.e.f. 01/05/2010).

There are three distinguished contributions, namely (1) Employees Provident Fund (EPF), where both Employee, Employer contribute at certain rates & (2) Employees Pension Scheme (EPS) where only Employer contributes& (3) Employee's Deposit Linked Insurance (EDLI)⁴ under EDLI Scheme, 1976, where only Employer contributes.

The other significant portion of the wage component is the contribution to the Employee's State Insurance Scheme (ESI). E.S.I. Scheme being contributory in nature, all the employees in the factories or establishments to which the Act applies shall be insured in a manner provided by the Act⁵. The contribution payable to the Corporation in respect of an employee shall comprise of employer's contribution and employee's contribution at a specified rate. The rates are revised from time to time. Currently, the employee's contribution rate⁶ (w.e.f. 1.1.97) is 1.75% of the wages and that of employer's is 4.75% of the wages paid/payable in respect

¹Minimum Wages Act,1948 and its pertinent amendments.

²Employee's Provident Fund Act,1952 and its pertinent amendments.

³Contribution Rate as published by Employee's Provident Fund Organization, India, available in <http://www.epfindia.com>

⁴Employee's Deposit Linked Insurance Scheme, 1976

⁵Employees' State Insurance Act, 1948

⁶Contribution Rate as published by Employees' State Insurance Corporation, India, available at <http://esic.nic.in>



of the employees in every wage period. Employees in receipt of a daily average wage upto Rs.100/- are exempted from payment of contribution. Employers will however contribute their own share in respect of these employees.

Under Section 2(12) the ESI Act is applicable to non-seasonal factories employing 10 or more persons. Under Section 1(5) of the Act, the Scheme has been extended to shops, hotels, restaurants, cinemas including preview theatres, road-motor transport undertakings and newspaper establishments employing 20 or more persons. Under section 1(5) of the Act, the Scheme has been extended to Private Medical and Educational institutions employing 20 or more persons in certain States/UTs, in all 14 State Governments / Union Territories have reduced the threshold limit for coverage of shops and other establishments from 20 to 10 or more persons. Remaining State Governments/UTs are in the process of reducing the same.

Failures occurred at ensuring proper registration by the Employer with both the EPF & ESI organizations and there is no proper check on employer contributions& remittances. There is no check on claims and proper service is not derived by the employee. In all the cases many lapses have been observed, leading to violation of labour related rules.

The problems originated at the inception stage as no proper procedure was followed to arrive at the minimum wage payable to the labour/ employee. In many cases the Service Tax deduction was omitted. The provisions relating to Service Tax were brought into force with effect from 1st July 1994. It extends to the whole of India except the state of Jammu & Kashmir. System of self-assessment of Service Tax Returns by service tax assesseees has been introduced w.e.f. 01.04.2001.

Under Section 67 of the Finance Act, 1994, Service Tax is levied on the gross or aggregate amount charged by the service provider on the receiver. Rule 6(1) of the Service Tax Rules, 1994 has provided that Service Tax shall be paid to the credit of the Government account in respect of the services deemed to be provided as per the rules framed in this regard. Point of Taxation Rules, 2011 has provided the point in time when a service shall be deemed to have been provided; Rule 3 of the said rule provides that for the purposes of these rules, unless otherwise provided, 'point of taxation' shall be, - (a) the time when the invoice for the service provided or agreed to be provided is issued: Provided that where the invoice is not issued within the time period specified in Rule 4A of Service tax Rules, 1994, the point of taxation shall be date of completion of provision of the service. (b) In a case, where the person providing the service, receives a payment before the time specified in clause (a), the time, when he receives such payment, to the extent of such payment.

Pursuing with an objective to finance and promote initiatives to improve agriculture and farmer welfare, the Government has announced a new cess namely 'Krishi Kalyan Cess' ("KKC"), to be levied at 0.5% on the value of all taxable services w.e.f June 1, 2016.

The present rate of Service Tax deduction is 14% + 0.5% Swachh Bharat Tax + 0.5% Krishhi Kalyan Cess. In this regard, a new Chapter VI has been inserted in the Finance Bill, 2016, that contains the following provisions, which is applicable with an enactment of the Finance Bill, 2016. Thereby, effective rate of Service tax is 15%.

4.0 Service Provider's Eligibility

In all the cases, the eligibility for Service Providers have been fixed very vaguely as no guidelines are available in the Public Procurement. The departments and organizations have applied different criteria to select the service providers. In one such case, the department has insisted on contractor's registration, under works category. The conditions of registration and nature of service/ work are completely different. A contractor registered under works category cannot be considered as capable to deliver the intended service unless otherwise he is complying with the other mandatory requirements.

In some cases registration from the Labour Department has been sought without specifying the trade under which the registration is to be furnished by the Service Providers in bidding process. The Labour Officer concerned provides the service providers with Registration and issue of Certificate under Shops and Establishments Act 1988⁷. The service providers have to apply through online application in "Form-I". The department issues the online registration certificate in "Form-II" for a period of one year. The service provider has to seek renewal of the same in "Form-III" and the department issues the online renewal certificate in "Form-IV".

The License to perform a particular service or work is issued in form of a Certificate for Principal Employer's Establishment under Contract Labour (Regulation and Abolition) Act 1970⁸ in the "Form-VI". The service providers have to apply through the online application in "Form-IV" for contract period. The service

⁷ <https://labour.telangana.gov.in/ActServices.do>

⁸ <https://labour.telangana.gov.in/ActServices.do>



provider has to seek renewal of the same in “Form-VII” and the department issues the online renewal certificate in “Form-VI”.

The other requisite documents are: (1) Form No-IV i.e Application for Licence (2) Copy of Form No.II i.e copy of certificate of Registration granted to the Principal Employer. (3) Form No.V- i.e. Certificate by the Principal Employer. (4) Form No.VI A- i.e Notice of commencement of contract work by the contractor (5) Copy of agreement or work order entered in between the Principal Employer and contractor (6) Joint Undertaking both by Principal Employer and Contractor stating for payment of notified minimum wages to the contract labour engaged by them.

In the above cases, no “Forms” were sought to check up neither any effort was made to examine the same in post-contract scenario. As a matter of fact License for Principal Employer's Establishment under Contract Labour (Regulation and Abolition) Act 1970 was never insisted in all the cases, which is a compulsory requirement.

In all the cases annual turnover has been accepted as the eligibility criteria for experience. The experience certificates issued by the Principal Employers have been considered without corroborating the same with the Labour Licenses issued by the Department of Labour in Form-VI, which is mandatory to establish the past performance of the Service Provider.

5.0 Invitation Of Bids

In all the cases the bids have been invited on percentage quote on the total service value put to tender in lieu of service charges to be paid to the service provider. In many cases bidders have secured the contracts by quoting negative premiums, as low as (-) 30% less than the estimated contract value. In few cases the departments have not accepted the quote at 0% or less than the estimated contract value. However the 0% quoted on estimate value resulted in negative tender as deduction on Income Tax at 2% has to be made in the bills. This resulted in payment of wages less than the specified leading to violation of Minimum Wages Act. In such situations, often the Principal Employer is penalized.

No performance security was retained so as to ensure payments to the labour in case of any eventuality. No serious efforts are made to make sure of the disbursement of wages at appropriate times, even if the payments are held up due to any delays. In some cases the estimated contract value was based on wages alone but the while tendering the quote was sought on wage component saying that the estimate contract value is inclusive of all statutory taxes such as Income Tax, Service Tax, etc., and the bidder was required to consider all such recoveries. This resulted in contracts with negative premium and has lead to litigations.

6.0 Recommendations

The cost estimates for Housekeeping & Landscaping services have been prepared on unit area in square meters of service provided duly taking the minimum wages, ESI & EPF contributions and all the associated aspects in to consideration by adopting an observed data procedure⁹ in the absence of standard data. The unit rates so arrived are checked with the prevailing market rates/ industry practice. The observed data was a result of many years of study of the processes in similar situations and collection of experiences brought in to a standard format.

A. WAGES & COST ESTIMATES

The manpower services are largely unskilled in nature and the wages and service conditions are governed by the state laws, especially under the aegis of Minimum Wages Act,1948. The minimum basic rates of wages in respect of Sweepers (Unskilled-Mazdoors) are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 884 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act,1948, published vide G.O. Rt. No: 166 Labour Employment Training and factories (Lab.II) Department Dated: 04-02-2013. The Cost of Living Allowance to be paid per each point of increase is Rs. 6.40.

The minimum basic rates of wages in respect of Scavengers (Safai Karmacharis) are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 590 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act,1948, published vide G.O. Ms. No: 108 Labour Employment Training and factories (Lab.II) Department Dated: 08-12-2009. The Cost of Living Allowance to be paid per each point of increase is Rs. 8.45. In this category part time work and corresponding part time payment is permitted.

⁹The observed data is formulated for housekeeping and landscaping services at JNTUH University of Hyderabad



The average State Industrial Workers Consumer Price Index Numbers for the April, 2015 are 1169 points (Base Year 1982=100 series) for Industrial Workers under Part-I of the Schedule of Minimum Wages Act, 1948, vide G.O. Rt. No: 409 Labour Employment Training and Factories (Labour) Department Dated: 27-08-2015 for Contract Labour who are not covered under any of the Scheduled Employments (Unskilled Mazdoors & Others-Clerk) and vide G.O. Rt. No: 465 Labour Employment Training and Factories (Labour) Department Dated: 14-09-2015 for Safai Karmacharis.

It infers that while entering in to service contracts and also while making payments to the workers, it shall be ensured that the minimum wages are paid as on the date of the service as envisaged in the above Government orders issued under the Minimum Wages Act,1948.

The Government of Telangana, has published Part - I Extra-ordinary Telangana Gazette No.80 Hyderabad, on 28-10-2014, wherein the Government have fixed/revised the minimum rates of wages in the Scheduled Employments shown in the Schedule appended which have come into force with effect from the date of publication in the Official Gazette. The Cost of Living Allowance applicable to various categories of employees in the Scheduled Employments has been specified in the Notification published in the Gazette vide Sl.No. 1 to 65 under Part-I and Sl.No. 1 to 5 under Part-II of the Schedule.

The minimum basic rates of wages are linked to the consumer price index numbers for the Industrial workers as per Col.No. 5 of the Schedule. The clause of Cost of Living Allowance shown in the Notifications specified that the Commissioner of Labour shall notify the Cost of Living Allowance every six months i.e., 1st April and 1st October. For this purpose, the average rise in the State Industrial Workers Consumer Price Index numbers for the half-year ending December and June respectively shall be taken into account.

Therefore the Service contract rate and the Estimate Contract Value (for any period) is based on minimum basic wage/ salary component to be paid to the employees, and is exclusive of the provision of Employer's contribution towards remittance of E.P.F. / E.S.I. and applicable Service Tax which shall be calculated for a fixed period based on the actual salaries to be paid. The Tenderer shall quote for only service charges which should be greater than zero and less than five percentages, five percent being the upper limit prescribed by the Government. The least count acceptable for service charges shall be 0.01%. The bid shall include the Income Tax (TDS) in to account i.e., the 'Service Charges' so quoted shall be inclusive of Income Tax (TDS). The concluding bid after taking the Income Tax component in to consideration shall not result in a negative premium, since any negative tender will result in violation of payment of minimum wages to the workers.

A sample calculation illustrating the minimum wage criteria and other mandatory requirements is given below:

WAGES FOR SWEEPING & CLEANING

Sl. No	Break-up Details of minimum wages	Sweepers (Unskilled Mazdoors)
	Consumer price index numbers -base	884
	CPI numbers - present	1169
	Cost of living allowance per point	6.40
	WAGE BREAK-UP	
1	Basic wage	5,668.00
2	VDA (Variable Dearness Allowance) (1169-884) * 6.40 = 1824.00	1,824.00
3	HRA (House Rent Allowance)	-
4	Other allowances, if any	-
5	Gross salary payable to worker	7,492.00
	Other benefits	
6	BONUS @ 8.33% on Basic	-
7	Leave Wages @ Total Salary/26 days*1.5	-
8	National/festival leave	-
	Deductions	
9	Provident fund @ 12% on Basic + VDA	899.04
10	ESI @ 1.75% on Basic + VDA	131.11
11	Professional tax	-
12	Total deductions amount	1,030.15
13	Net salary payable to worker	6,461.85
	Cost To Principal Employer - Total Financial Implication	



14	Gross Salary Payable	7,492.00
15	Add -PF @ 13.61% on Basic+VDA	1,019.66
16	Add - ESI @ 4.75 % on Basic + VDA	355.87
17	Bonus @ 8.33% on Basic Optional	-
18	Leave Wages - Optional	-
19	Uniforms	-
20	Estimated Gross Wage Component	8,867.53

1. The minimum basic rates of wages in respect of Unskilled-Mazdoors are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 884 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act, 1948, published vide G.O. Rt. No: 166 Labour Employment Training and factories (Lab.II) Department Dated: 04-02-2013. The Cost of Living Allowance to be paid per each point of increase is Rs. 6.40.

2. The average State Industrial Workers Consumer Price Index Numbers for the April, 2015 are 1169 points (Base Year 1982=100 series) for Industrial Workers under Part-I of the Schedule of Minimum Wages Act, 1948, vide G.O. Rt. No: 409 Labour Employment Training and Factories (Labour) Department Dated: 27-08-2015 for Contract Labour who are not covered under any of the Scheduled Employments (Unskilled Mazdoors & Others-Clerk) and vide G.O. Rt. No: 465 Labour Employment Training and Factories (Labour) Department Dated: 14-09-2015 Safai Karmacharis.

An observed rate analysis data¹⁰ for housekeeping services is formulated for housekeeping in regular areas (partial deployment) wherein the gross wage payable by Principal Employer including his PF & ESI contributions are calculated for 26 working days only as one day per one week i.e., 7 working days is considered as paid holiday.

This is a partial manpower service where wage component is predominant material costs are modest.

OBSERVED RATE ANALYSIS DATA – HOUSEKEEPING SERVICES					
Unit:	Sqm	taking out put per month	100	sqm	Amt
(A) Labour required for sweeping and cleaning					
1.22	Nos	Sweepers (Unskilled-Mazdoors) #	341.06	day	416.09
0.01	Nos	Supervisor (Muster-clerk) #	397.11	day	3.97
		(# Estimated Gross wage component payable by Principal Employer calculated for 26 working days)			
		Total per 100 m ²			420.06
A. Rate per sqm per month for Labour component					4.20
(B) Machinery					
0.10	hr	Scrubber equipment - Hire charges	279.00	hr	27.90
0.10	hr	Vacuum Cleaner - Hire charges	175.00	hr	17.50
(C) Material					
0.20	Litre	Phenol or any equivalent disinfectant	50.00	Litre	10.00
0.50	Litre	Soap water or any equivalent cleaning agent	90.00	Litre	45.00
15.00	Litre	Water	0.12	Litre	1.80
1.00	No	Broom	30.00	No	30.00
		Total per 100 m ²			132.20
B. Rate per sqm per month for other than Labour component					1.30
TOTAL RATE (LABOUR + OTHER COMPONENT) A + B					5.50

The objective of this rate analysis is to make the payments in an unit area basis rather than on manpower basis. Since observed data is for partial deployment of manpower in the unit area hence, the same is to be advocated in the contracts. However, minimum deployment is to be enumerated in the contract documents to ensure compliance with the obligations of labour laws such as EPF, ESI etc.,

A typical example for a cost estimate for the Housekeeping services would be as follows:

SI No	Specification & particulars	Quantity in	Rate per unit area	Rate per unit	Total Amount
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¹⁰The observed data is formulated for Housekeeping and Landscaping services at JNTUH University of Hyderabad.



	of work area	Sqm	(Labour Component) in Rs.	area (Other than Labour Component) in Rs.	per 1 month (3x4) +(3x5) in Rs.
1	2	3	4	5	6
a)	Providing House Keeping	100 sqm	4.20/ 1 sqm	1.30/ 1 sqm	550
b)	Providing Road Sweeping & Cleaning	100 sqm	1.50/ 1 sqm	0.60/ 1 sqm	210
			Total per 1 Month		760
1	Therefore contract value for 1 year (12 Months) (ECV)				9120
2	Add Lump sum provision for VDA (cost of living allowance)approximately @ 7% on labour componentof estimate contract value				480
	Total Value of Services to be done under the contract – A				9600
3	Add Service Charges to be quoted by Service Provider (Approximately 5% on estimate contract value)				460
	Maximum Value of Services – B				10060
4	Add Service Tax on Amount B @15% (including Swachh bharat & Krishi Kalyan Cess)				1510
5	Add Income Tax on Amount B @2% (Since this is a manpower oriented contract, no recovery shall be effected on wage component)				200
6	Unforeseen & Miscellaneous				220
	Thereforevalue of Housekeeping Services per annum – C				12,000

For housekeeping services partial deployment of either sweepers or gardeners as the case may be in one partial shift (4 Hrs in 1 partial shift) is considered. Requirement of the Labour should be rounded off to nearest number in the contract agreements.

Similarly for other manpower services such as Security personnel, carpenters, drivers and electricians etc, the cost estimates have to be prepared based on number of shifts of 8 working hours each. Number of shifts of operation has to be specified.

The minimum basic rates of wages in respect of Security Supervisor, Security Officer, Field Officer (Highly Skilled-Category) are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 590 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act,1948, published vide G.O. Ms. No: 43 Labour Employment Training and factories (Lab.II) Department Dated: 28-05-2010. The Cost of Living Allowance to be paid per each point of increase is Rs. 6.75. The basic wages are fixed for three zones, namely Zone-1¹¹, Zone-2¹², Zone-3¹³.

The minimum basic rates of wages in respect of Security Inspector, Assistant Security Officer, Intelligence and Fire Fighting personnel, Head Guard (Skilled-Category) are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 590 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act,1948, published vide G.O. Ms. No: 43 Labour Employment Training and factories (Lab.II) Department Dated: 28-05-2010. The Cost of Living Allowance to be paid per each point of increase is Rs. 6.75.

The minimum basic rates of wages in respect of Assistant Security Inspector, Security Guards with Arms (Semi Skilled-Category) are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 590 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act,1948, published vide G.O. Ms. No: 43 Labour Employment Training and factories (Lab.II) Department Dated: 28-05-2010. The Cost of Living Allowance to be paid per each point of increase is Rs. 6.75.

The minimum basic rates of wages in respect of Security Guards without Arms (Un-Skilled-Category) are linked to the Consumer Price Index (CPI) Numbers for the Industrial Workers at 590 points (Base Year 1982=100 series) and are as per Part-I of the Schedule of the Minimum Wages Act,1948, published vide G.O.

¹¹Zone-I: Comprising of all Municipal Corporations in State.

¹²Zone-II: Comprising of all Municipalities.

¹³Zone-III: Comprising of the rest of areas.



Ms. No: 43 Labour Employment Training and factories (Lab.II) Department Dated: 28-05-2010. The Cost of Living Allowance to be paid per each point of increase is Rs. 6.75. The basic wages are fixed for three zones, namely Zone-1, Zone-2, Zone-3.

WAGES FOR SECURITY PERSONNEL

Break-up Details of minimum wages	Security Officer	Assistant Security Officer	Armed Security Guards	Security Guard
SALARY BREAK-UP	Zone-1	Zone-1	Zone-1	Zone-1
BASIC WAGE	7,500	7,000	6,500	5,000
VDA (Variable Dearness Allowance) (1116-590)*6.75	3,550	3,550	3,550	3,550
HRA (House Rent Allowance)				
Reliever's Charges (1/6th of SALARY)	1,841	1,758	1,675	1,425
Gross Salary Payable To Employee	12,892	12,308	11,725	9,975
OTHER BENEFITS				
BONUS @ 8.33% on Basic	-	-	-	-
Leave Wages @ Total Salary/26 days*1.5	-	-	-	-
National/Festival Leave	-	-	-	-
DEDUCTIONS				
PROVIDENT FUND @ 12% on Basic + VDA	1,326	1,266	1,206	1,026
ESI @ 1.75% on Gross Salary	225	215	205	174
Professional Tax	-	-	-	-
Total Deductions Amount	1,551	1,481	1,411	1,200
Net salary payable to employee	11,340	10,827	10,314	8,774
Cost to Principal Employer - Total Financial Implication				
GROSS SALARY PAYABLE	12,892	12,308	11,725	9,975
ADD -PF @ 13.61% on (Basic+VDA)	1,754	1,675	1,595	1,357
ADD - ESI @ 4.75 % on (Gross Salary)	612	584	556	473
BONUS @ 8.33% on (Basic+VDA) Optional	-	-	-	-
LEAVE WAGES - Optional	-	-	-	-
UNIFORMS (2 Sets per annum @ Rs.0/-Each)	-	-	-	-
Estimated Gross Wage Component	15,259	14,568	13,878	11,807

A typical example for a cost estimate for the Security services for deployment of 10 guards in each shift of 8 working hours each and three such shifts per day of 24 hours duration along with one security officer, one assistant security officer and one security guard with arms per day would be as given below. Every contract agreement must be annexed with a deployment schedule.

SI No	Name of the category	Duties per day in terms of shifts of 8 hours	Duties per month in terms of shifts of 8 hours	Rate Per 8 Hrs Man-shift Duty	Amount
1	2	3	4	5	6
a)	Security Supervisor, Security Officer, Field Officer (Highly Skilled-Category)	1	30	586.89	17,607
b)	Security Inspector, Assistant Security	1	30	560.34	16,810



	Officer, Intelligence and Fire Fighting personnel, Head Guard (Skilled-Category)				
c)	Assistant Security Inspector, Security Guards with Arms (Semi Skilled-Category)	1	30	533.78	16,014
d)	Security Guards without Arms (Un-Skilled-Category)	30	900	454.12	4,08,707
Total per 1 Month					4,59,138

COST ESTIMATE FOR 12 MONTHS

VALUE OF LABOUR CONTRACT PER ANNUM		
1	Therefore contract value for 1 year (12 Months) (ECV)	51,39,831
2	Add Lump sum provision for VDA (cost of living allowance) approximately @ 7% on labour component of estimate contract value	3,59,788
Total Value of Services to be done under the contract – A		54,99,619
3	Add Service Charges to be quoted by Service Provider (Approximately 5% on estimate contract value)	2,56,992
Maximum Value of Services – B		57,56,611
4	Add Service Tax on Amount B @15% (including Swachh bharat & Krishi Kalyan Cess)	8,63,492
5	Add Income Tax on Amount B @2% (Since this is a manpower oriented contract, no recovery shall be effected on wage component)	1,15,132
6	Unforeseen & Miscellaneous and variation in duties etc	64,765
Therefore, total value of Security Services per Annum – C		68,00,000

B. ELIGIBILITY CRITERIA

- Valid Registration Certificate under Shops and Establishments Act 1988¹⁴. The service providers have to apply through online application in "Form-I". The Labour department of concerned state issues the online registration certificate in "Form-II" for a period of one year. The service provider has to seek renewal of the same in "Form-III" and the department issues the online renewal certificate in "Form-IV".
- Valid Labour License in proof of past experience for desired period to establish the past performance of a particular service or work, which is issued in form of a Labour License Certificate for Principal Employer's Establishment under Contract Labour (Regulation and Abolition) Act 1970¹⁵ in the "Form-VI". The service providers have to apply through the online application in "Form-IV" for contract period. The service provider has to seek renewal of the same in "Form-VII" and the department issues the online renewal certificate in "Form-VI".
- The other requisite documents are: (1) Form No-IV i.e Application for Licence (2) Copy of Form No.II i.e copy of certificate of Registration granted to the Principal Employer. (3) Form No.V- i.e. Certificate by the Principal Employer. (4) Form No.VI A- i.e Notice of commencement of contract work by the contractor (5) Copy of agreement or work order entered in between the Principal Employer and contractor (6) Joint Undertaking both by Principal Employer and Contractor stating for payment of notified minimum wages to the contract labour engaged by them.
- Experience certificate from the Principal Employer duly certifying the service provider on the past experience for desired period in terms of value, quantity and satisfactory performance.
- Valid registration with ESI Corporation as per Employees' State Insurance Act, 1948 and Employees' State Insurance Rules & Regulations. According to the notification issued by the appropriate Government (Central/State) concerned under Section 1(5) of the Act, the notified establishments employing 10 or more persons attracts ESI coverage.

¹⁴ <https://labour.telangana.gov.in/ActServices.do>

¹⁵ <https://labour.telangana.gov.in/ActServices.do>



6. To validate the past experience the Service Provider shall furnish the proof of remittances of ESI premium of the employees for desired numbers and for desired period by way of furnishing challans (Electronic Challan cum Returns (ECR)).
7. Valid registration with EPF Organization India, under Employees' Provident Funds & Miscellaneous Provisions Act, 1952. Any service provider under Cleaning & Sweeping category on employing more than 19 workers automatically comes under the purview of the EPF & MP Act, 1952.
8. To confirm the previous experience the Service Provider shall furnish the proof of remittances in to EPF of the employees for desired numbers and for desired period by way of furnishing challans.
9. Valid registration of Service Tax under Chapter V of the Finance Act, 1994.
10. Income Tax returns along with Chartered Accountant certificates for desired period.
11. EMD @ 1% on ECV, Solvency Certificates for a value @ 25% on ECV.
12. Balance EMD @ 1½% on TCV or ECV whichever is higher at the time of signing the agreement, Additional Security Deposit @ 2½% on TCV or ECV whichever is higher at the time of signing the agreement.

C. BIDS ON TENDER PREMIUM

1. Service contract rate and the Estimate Contract Value (for any period) is based on minimum basic wage/salary component to be paid to the employees, and is inclusive of the provision of Employer's contribution towards remittance of E.P.F. / E.S.I. and is exclusive of applicable Service Tax which shall be calculated for a specified period based on the actual salaries to be paid.
2. The bidders are expected to quote service charges in terms of percentage over the estimated contract value in the price bid.
3. The Tenderer shall quote for only service charges which should be greater than zero and less than five percentages, (If the bids are invited on percentage quote basis) five percent being the upper limit prescribed by the Government.
4. The least count acceptable for service charges shall be two digits after decimal i.e., 0.01%. The bid shall include the Income Tax (TDS) in to account i.e., the 'Service Charges' so quoted shall be inclusive of Income Tax (TDS).
5. The concluding bid after taking the Income Tax component in to consideration shall not result in a negative premium, since any negative tender will result in violation of payment of minimum wages to the workers.
6. The Service charges quoted in the bid are final and valid for the duration of the Contract period and shall not be subject to adjustment on any account.
7. In case of tie in the financial bidding, the agency who stands first in the technical evaluation ranking in the Bid Capacity criteria i.e., higher (2AxN-B) shall be preferred on order of priority.
8. In case the bid capacity is also same the tenderer whose annual turnover is more shall be preferred.
9. If the annual turnover becomes the same, the turnover on similar services and thereafter the clean track record shall be considered for selection.
10. Any increase in applicable V.D.A points as published by the Department of Labour, during the contract period, shall be reimbursed by the Principal Employer and the agency/ firm shall produce such order in proof of increase in VDA points.
11. Such increase in V.D.A points shall be treated as basic component from the date of increase or date of payment, whichever is later.

7.0 Conclusion

It has been observed in many cases that the Service Providers are not complying with any of the labour laws. Further it is seen that the service providers are evading EPF & ESI remittances. In some cases the working hours have not been specified or the duties ran in to inadvertent overtimes. Many service providers are deceiving the gullible labour/ workers as well the Principal Employers, leading to serious violation of labour laws and other statutory provisions. In order to overcome the difficulties and also to enlighten the Procurement Authorities on the rights and wrongs of non-consultancy procurements, case studies have been taken up in real time manner in the JNTUH University between the years 2012-2016 for all the campuses located across the State of Telangana.

In the process, certain recommendations have been made on the calculation of minimum wages duly identifying the category of labour, zone etc. Further, comprehensive guidelines on cost estimates, eligibility criteria and bidding aspects have been formulated and implemented with a great success. Hope this endeavour will help the Public Procurement authorities in overcoming the shortfalls they are facing. It is expected that the



community, which is bogged down due to ignorance of procurement authorities on the intricacies of labour laws, will benefit largely from this effort. Suggestions, modifications & corrections are solicited since updating the knowledge is a constant process as change is constant.

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