

# Flash Alert

18 Aug 2023



*Minimum wages increased to  
Rs 17,300 per month*

The Ministry of Labor, Employment and Social Security, through a gazette notification dated 17 August 2023, has prescribed the following minimum wages to become effective from Shrawan 1, 2080 (17 July 2023). The new minimum wage is an increment of 15.33% to the existing wages prescribed under section 106(3) of the Labor Act 2074 (2017).

Description	Monthly		Daily		Hourly	
	Current Monthly	wef 1 Shrawan 2080	Current Daily	wef 1 Shrawan 2080	Current Hourly	wef 1 Shrawan 2080
Basic Pay	9,385	10,820	361	418	48	56
Dearness Allowance	5,615	6,480	216	250	29	33
<b>Total</b>	<b>15,000</b>	<b>17,300</b>	<b>577</b>	<b>668</b>	<b>77</b>	<b>89</b>

In addition to the prescribed wages, employer would be required to contribute 20% of basic pay on monthly basis as social security contributions which includes provident fund contribution of 10%, gratuity contribution of 8.33% and 1.67% as contribution towards insurance as per the Social Security Act 2074 and Labor Act 2074.

The local governments have been given the authority to set minimum wages in their respective areas but the notice restricts them to set minimum wages below the prescribed ceiling. In addition, it also prohibits anyone to enter into an employment contract with remuneration below the prescribed minimum wage.

### PKF Comment

*The increase in the minimum wage is a step towards providing relief to the low wage-earning workers as there is an increment in the income however, this would also have a direct impact on inflation and small business will suffer due to increased prices and lowering of margins.*