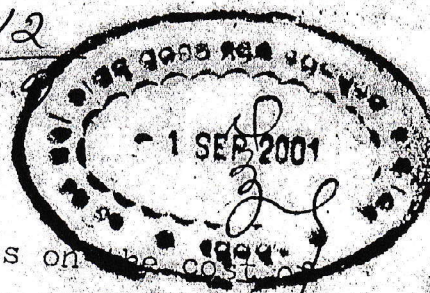


No. WE-I602001-38666/F
Government of Orissa 15/2
Finance Department 4.9.01



OFFICE MEMORANDUM

Bhubaneswar the 12th July, 2001.

Works
21/11-256(B)

Sub: Impact of the revision of minimum wages on the cost of works.

Due to upward revision of minimum wages from Rs. 30/- per day to Rs. 40/- per day with effect from 1.5.99 by Govt. in Labour & Employment Department proposals for revision of the cost of works and payment of escalation cost to contractors on account of hike in minimum wages were received in Finance Department. The matter was under active consideration of Government for some time past and after careful consideration Govt. have been pleased to issue instruction for reimbursement of escalation charges towards labour on the following cases only.

a) Agreements executed prior to 1.5.99 with the date of completion after 1.5.99.

b) Agreements where the stipulated date of completion was any date prior to 1.5.99 but subsequently the date of completion has been validly extended to any date on or after 1.5.99 for the reasons that the delay in completion is not attributable to the contractor.

c) Agreements where the tenders for the work received prior to 1.5.99, but agreements were executed on or after 1.5.99.

2. The payment of escalation cost on account of labour charges would be regulated as under:-

i) In cases of (a) above, vide para-I, only that portion of the value of the work which the contractor actually executed as per the approved work programme in terms of the agreement, from 1.5.99 paying the revised minimum wages to the labourers, provided prior to 1.5.99 the work has been executed as per work programme in terms of agreement, shall reckon for assessment of escalation charges towards labour. The value/portion of Non-performance work programme as per agreement prior to 1.5.99 and carried over for execution after 1.5.99 shall be deducted for calculation of revised minimum wages for assessment of escalation charges.

ii) In case of (b) above, only where extension of time has been allowed by the competent authority prior to 1.5.99 shall only be reckoned for assessment of escalation charges towards labour component of that portion of the work executed after 1.5.99.

iii) In case of (c) above, the value of work actually executed by the contractor in terms of the agreement paying the revised minimum wages to the labourers shall reckon for assessment of escalation charges towards labour, provided further that in case where negotiation for the work made on or after 1.5.99 and the contractor reduced the rate being well aware of the fact that the labour rate has been increased shall not be reckoned for payment of escalation charges.

21/11

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3. For the portion of work/works executed on or after 1.5.99 in respect of the type of cases referred to in para-I above, the price adjustment clause for increase of minimum wages as per Annexure 'A' shall be adopted after executing necessary supplementary agreement. Since price adjustment on labour is to be regulated as per minimum wages prescribed by Govt. of Orissa from time to time, the clause relating to payment of labour escalation on the basis of the average consumer's price index for Industrial workers (wholesale price) should not find place in the DTCN/F2 contract/62 contract (Lumpsum) etc. and no payment on labour escalation on the basis of average consumer price index should be made to the contractor for cases stated above, where the contractors have been rescinded with levy of penalty the payment of escalation to the contractor shall be kept in abeyance till the total amount of penalty is assessed and the amount of escalation as stipulated in works Department Circular No.4793 dt.13.3.95 (copy enclosed).

4. The Executive Engineers of the respective Divisions shall furnish a certificate pertaining to payment of minimum wages to the contractors in prescribed proforma as per Annexure-'B'. The Executive Engineers concerned shall also prepare a comprehensive chart for determination of impact of wage rise on workability of running contract as per Annexure-'C'.

Sd/-
Principal Secretary to Govt.

Memo No. 38667(10)/F., dt. 12.7.2001
Copy ~~with xxxxxx~~ forwarded to the W.R. Deptt/ etc. etc. / Works Department/ etc. etc for information and necessary action.

Sd/-
Special Officer-Cum-Joint Secy.
to Govt.

Government of Orissa
Works Department

Memo No. 14068

/dt. 26.7.2001
Copy with copy of the enclosure forwarded to E. I. C. (Civil), Orissa/all Chief Engineers/ etc/ etc for information and necessary action.

Sd/-
Section Officer.



~~ANNEXURE - A~~

Formula to calculate the increase/decrease in the cost of work actually executed on or after 1.5.99 due to enhancement of minimum wages.

$$VI = 0.75 \times PL / 100 \times \frac{(I - IO)}{IO}$$

- VI = Increase/decrease in the cost of the work during the quarter under consideration due to change in the minimum wages for labour.
- R = The value of work done in rupees during the quarter under consideration.
- IO = The minimum wages for labour as prevailed on 30.4.99.
- I = The minimum wages as prescribed for the quarter under consideration.
- PL = Percentage of labour component.

Notes: Escalation charges on labour is to be calculated quarterly from 1.5.99.

Percentage of labour component:-

- Bridge work : 30%
- Road work : 40%
- Building work : 30%

or

The actual % as stipulated in the D.T.C.N./Agreement which ever is less.

~~ANNEXURE - B~~

"Certificate pertaining to payment of minimum wages".

1. Name of the work:
2. Name of the executant:
3. Period during which minimum wage paid:
4. Amount of minimum wage for each category of worker.
5. Total amount paid towards differential amount on account of revision of minimum wage.

" Certified that minimum wage as prescribed by the Govt. and as indicated above has been paid to the labourers/workers as verified from the Acquittance roll/payment Registers maintained by the concerned executant and a copy of such Acquittance roll/payment Register has been kept in my office for future reference if necessary".

~~CONFIDENTIAL~~

(1)

Proforma for submission of details in respect of subsisting contracts (as on 1.5.99) to determine the impact of wage rise on the workability of running contract.

1. Name of the work and agreement No.
2. Name of the contractor.
3. Date of commencement
4. Date of completion:
5. a) Extended date of completion (approved or under consideration)
b) Whether extension of time granted with or without benefit of price escalation.
6. Percentage component of (i) Labour
ii) Material
iii) P.O.L. (as per agreement)
7. Value of balance work as on 1.5.99 (A statement of balance work, indicating the description of item, rate quantity and amount as per agreement).
8. Whether there is change in methodology of execution as compared to those indicated in the schedule of quantities and specification. If so a statement indicating the item, rate, quantity amount and method of execution involved on each of the items is to be furnished.
9. Escalation payable on labour component from 1.5.99 till completion of work on the basis of price index as provided in the agreement (assumption of labour index not available till completion of work is to be made on the basis of weighted average increase for the preceding Quarter).
10. Escalation payable on labour component on the Basis of minimum wage prevalent at the time of opening of tender over those prevailing from 1.5.99 till completion of work (it is to be assumed that there will be no revision of minimum wage during the balance period of contract).
11. Extra financial implication (10-9)

Signature of E.E.

Signature of S.E.

Signature of C.E.