



Critically Analyze the Mandate of Code on Wages Bill 2019 in Fixing India's Woes on Minimum Wages. (250 Words / 15 M) (GS-3 Economy)

Approach:

1. Introduce the mandate of Code on Wages Bill 2019.
2. Mentioning Indian wage scenario, discuss why the need for a wage bill ?
3. Mention the potential challenges & the pitfalls that are likely to arise.
4. Conclusion

The **Code on Wages Bill 2019** mandates a **minimum wage across the country**, with a universal **minimum payment of Rs. 178/day**. However, the wage prescribed is **less than half the Rs. 375/day** recommended by a high-powered labor Ministry panel and **much below the Rs 700 fair wage** that the **7th Central Pay Commission** had arrived at.

Need for a wage bill ? : India has a serious wage issue. Acc. to **Economic Survey 2018-19**, India's minimum wage system **comprises 1,915 minimum wages defined for various scheduled job categories across states**. So, the **process of determining the minimum wage is complex**; the **level of compliance is too abysmal**. Survey shows **90% workers are unaware** of minimum wage and hence, severely exploited.

The **Periodic Labor Force Survey 2017-18** estimated **45% of the regular workers are paid less than the minimum wage**. The wages bill **increases the prevailing minimum wage by a paltry Rs. 2/day**. The justification for such marginal increase is that **Rs. 178 is a definitive minimum for all workers across all sectors**, thereby allowing for **wage rise in informal sectors** and will **address the issue of gender-based disparities** as well. Presently, **women earn about 45% less than men** in the same occupation. A national wage floor will **hopefully reduce the rural-urban gap**. The mandated minimum wage will **potentially reduce the glaring inequities for casual workers** too.

Potential Challenges: In a sharp contrast to the market-friendly laws, the Bill came out forcefully arguing for **increasing the cost of doing business by increasing the wage costs**. Economists point that **when minimum wages go up, more people end up out of work**, since **companies cut back on labor at the higher wage bracket**. But the government has chosen to increase the minimum wages. But given India's diversity, it **won't be easy to set standards and define minimum wages across industry**. The **15th Indian Labor Conference** had suggested **norms to fix minimum wages based on per person intake of 2,700 calories/day and 18 yards of clothing per year, minimum housing-rent for low income groups, fuel, lighting expenses, and other miscellaneous expenditures**.

Beyond such complications, the government also must **accommodate the costs and requirements changing across the country, from low-wage economy of Tripura to highly labor scarce state like Kerala**. It must also address the question on **what constitute fair wage and what defines a living wage ? Is minimum wage the ultimate goal of humane**



society or should it go beyond to ensure workers are paid fair & livable wages ? Article 43 of DPSP encourages the state to give higher minimum wages, which the new code seeks to do.

Pitfalls Ahead:

- Since **small & unorganized business employ more than 90% of the workforce**, the major problem will be **compliance** leading to **harassment from labor officials**. This will certainly impose higher costs.
- Nearly **50% of the workforce is self-employed**; nearly **30% work on casual basis approaching the labor market irregularly**. This new code will **actually work for 20% of the total workforce**, within which more than half belong to very small enterprises.
- In competitive markets, any **increase in wage costs cannot be passed on to consumers** by increasing prices – **falling profit margins**, and **capital may move away from formal sector, increasing employment & wages in unorganized sector**.
- A **centralized code is unlikely to reduce complexity** and may be **counterproductive** in bringing **transparency or accountability**.
- The code is **encumbered with too many objectives**. It also goes to do what the Central Advisory Council was doing – recommending a fair wage. This can **reduce the likeliness of its success**.
- It is a lurking danger that **higher wages may necessarily result in fewer jobs**, when **unemployment is already at its highest**. Also, a **single mandate on minimum wages will not be enough to tackle inequality**.

The new code is being seen as **a silver bullet** for the slew of challenges faced by the labors. It will **increase disposable income, make working conditions humane by implementing regulated working hours, paying for overtime and thereby, reducing worker exploitation**. Another facet is **ending gender discrimination in wage payments**. Though a well-intentioned and brave step, it can be **rendered ineffective through multiple lofty goals and poor implementation**. Also, **incentivizing local hiring by mandating jobs quota for locals, providing wage support to companies, and keeping wage costs low for firms operating in competitive environments**, can be duly considered.