

Do we need a minimum wage law?



• [G. Sampath](#)



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“Even in post-liberalisation India, no industry lobby can openly argue that contract workers should be paid less than permanent workers for the same work.” Picture shows members of major trade unions protesting against anti-labour policies, in New Delhi, in 2011. — File photo: Ramesh Sharma

The number crunching over an appropriate minimum wage belies the fact that the state and industry only pay lip service to it

In April this year, Union Labour Minister Bandaru Dattatreya announced that the [government will raise the minimum wage for contract workers to Rs.10,000 per month](#). It would do so, he said, through an executive order. The executive order never came. What did, however, were news reports on industry’s opposition to the proposal. In July, the proposal had been shelved.

This week, in a bid to get trade unions to call off their All India strike on September 2, the government [again announced a hike in minimum wages](#), but only for unskilled non-agricultural workers, from Rs.246 to Rs.350 per day, or Rs.9,100 per month. The central trade unions, barring the Rashtriya Swayamsevak Sangh-affiliated Bharatiya Mazdoor Sangh (BMS), have dismissed the hike as meaningless and announced that they will proceed with the strike.

This chain of events raises many questions: What is an appropriate minimum wage? How does one arrive at it? Does India still need something like a minimum wage?

Many reasons have been adduced for scrapping the minimum wage. The most important one is the doxa of liberalisation, which dictates that the market and not the government should determine prices so as to preserve efficiency and competitiveness. This was the objection raised by industry and heeded by the government.

The second reason to scrap the minimum wage, especially now, is that it contradicts the National Democratic Alliance (NDA) government’s flagship ‘Make in India’ initiative. For foreign capital to make in India, Indian labour has to remain cheaper than Chinese, Vietnamese, Cambodian and Bangladeshi labour.

Third is a logic that is popular among economic reformers: scrap it if it’s not working. Neither industry bodies nor the state nor unions can claim that the Minimum Wages Act (MWA) is seriously implemented. India anyway has still not ratified the United Nations’ Convention No. 131 (adopted in 1970) on Minimum Wage Fixing. So why not scrap the MWA?

Why have a minimum wage?

MWA is one of the first laws of independent India, legislated in 1948, even before we had a Constitution in place. Why was it enacted?

The real motive was to buy peace on behalf of a national bourgeoisie that had to manage a working class that was far more militant in those days. But there were other reasons as well. India was a poor country with a major surplus of labour. There were too many jobs where labour

did not have the bargaining power to demand a wage sufficient to survive on. Conditions where employers get away with paying workers too little generate several social costs, such as poverty, malnutrition, endemic debt leading to bonded labour, and child labour, which could be avoided through fair wages.

Three levels

The Tripartite Committee on Fair Wages, appointed in 1948, defined three different levels of wages: a living wage, a fair wage, and a minimum wage. Living wage is what a human being needs to get the basic essentials of food, shelter, clothing, protection against ill-health, security for old age, etc. A fair wage is lower than the living wage and takes into account efficiency, from the employer's perspective. Minimum wage is similar to the fair wage except in two respects: it is even lower, and has a statutory dimension. Today, there is broad consensus among patriotic businessmen and nationalist policymakers that mandating a living wage or even a fair wage for Indian workers is a ridiculous idea not worth discussing. What's left on the table is the minimum wage. How much should it be?

The resolution passed at the 15th Indian Labour Conference in 1957 mandates taking into account five factors for calculating the minimum wage: 1. The wage must support three consumption units (individuals); 2. Food requirement of 2,700 calories a day; 3. Clothing requirement of 72 yards per worker's family; 4. Rent for housing area similar to that provided under the subsidised housing scheme; 5. Fuel, lighting and miscellaneous items of expenditure to constitute 20 per cent of the minimum wage. In 1991, the Supreme Court called for adding another 25 per cent to the wage yielded by the above calculation in order to take into account children's education, medical requirements, etc.

If calculated using these parameters, some estimates put the minimum wage at Rs.26,000 per month. This is the amount Central government employee unions are demanding from the Seventh Pay Commission, which had fixed their minimum wage at Rs.18,000.

Minimum wage via pay parity

But figures such as Rs.26,000 or even the Rs.10,000 mooted by the Labour Ministry sound fantastical in comparison to the official minimum wage in some parts of India, which can dip as low as Rs.1,650 a month (Puducherry, agriculture, 2013). Typically, the actual minimum wage is close to or less than Rs.4,800, currently the National Floor Level Minimum Wage.

Ironically enough, despite the MWA not being taken seriously by anyone, even a pro-reform government such as the one in power dare not speak of scrapping it, preferring instead to undermine it.

As A.K. Padmanabhan of the Centre of Indian Trade Unions (CITU) puts it, "If a government is serious about ensuring that contract workers get better wages, it would amend the Minimum Wages Act to stipulate that permanent and contract workers get the same pay for same work. But this government has not touched the Act."

Even in post-liberalisation India, no industry lobby can openly argue that contract workers should be paid less than permanent workers for the same work. The NDA government has a brute majority in the Lok Sabha. No party in the Rajya Sabha will oppose an amendment mandating pay parity between permanent and contract workers. So, if there is one 'labour reform' that can be said to have universal consensus as well as logic on its side, it is this simple amendment. In one stroke, it would raise the minimum wage of contract workers by bringing it on a par with permanent worker wages, and encourage their regularisation. But neither the United Progressive Alliance in its time nor the NDA now is interested in passing such an amendment. It is not hard to fathom why, or who benefits from this pay differential.

sampath.g@thehindu.co.in

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