

NEEDED: A WELL-DESIGNED MINIMUM WAGE SYSTEM

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

A well-designed and streamlined minimum wage system is required to reduce wage inequality in the country, the Economic Survey says.

Currently, the minimum wage system, under the Minimum Wages Act, 1948, in India is complex, with 1,915 different minimum wages defined for different job categories across States, the survey said. Despite the complex system, workers were still falling through the gaps, it said.

“One in every three wage workers in India is not protected by the minimum wage law,” it said, citing the International Labour Organisation.

For instance, the survey stated, domestic workers were covered under minimum wage laws in only 18 States and Union Territories. It also pointed out that while the law did not discriminate between men and women, analysis of different wages showed a bias.

“For instance, women dominate in the category of domestic workers while men dominate in the category of security guards. While both these occupations fall within the category of unskilled workers, the minimum wage rate for domestic workers within a State is consistently lower than that for the minimum wage rates for security guards,” the survey said.

Apart from increasing the ambit of the minimum wage system, it recommended deciding minimum wages on the basis of skills and split across geographical regions. With the government in the process of bringing the Code on Wages Bill in Parliament, the survey said the rationalisation of minimum wages proposed by the Bill should be supported.

The survey suggested the government should notify a “national floor minimum wage” across five regions, after which the States can fix their own minimum wages, but not lower than the floor wage.

This, it said, would bring uniformity and make States “almost equally attractive from the point of view of labour cost for investment as well as reduce distress migration.”

The floor wage is currently non-statutory.

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