

## **Draft Rules for Code on Wages, 2019**

### **Why in news?**

The Ministry of Labour and Employment recently published the draft rules for implementing the provisions of Code on Wages, 2019 earlier given assent by the President.

### **What are the draft rules for?**

- The Code on Wages replaces four laws:
  1. the Payment of Wages Act, 1936
  2. the Minimum Wages Act, 1948
  3. the Payment of Bonus Act, 1965
  4. the Equal Remuneration Act, 1976
- It seeks to regulate wages and bonuses for all workers employed by any industry, trade, business or manufacturer.
- While the Code is now law, the Ministry has published the draft rules for implementing the provisions, seeking comments.
- Following the consultation, the Centre will notify the rules that will create the mechanisms to fix a floor wage.
- This would then materialise the minimum wages for different categories of workers - unskilled, semi-skilled, skilled and highly skilled.
- The States and Central government would then have to set and enforce them.

### **Why is the Code significant?**

- Minimum wages are accepted globally to be a vital means to combat poverty.
- It equally crucially, ensures the vibrancy of any economy.
- The International Labour Conference's Global Jobs Pact of 2009 identified the importance of wage regulation.
- It saw the regular adjustment of wages, in consultation with the social partners as a means of -
  - i. reducing inequality
  - ii. increasing demand
  - iii. contributing to economic stability
- The Pact came in the aftermath of the 2008 global financial crisis and the erosion of purchasing power worldwide.

## **What are the key provisions of the code?**

- The Code acknowledges that the aim in setting the floor wage is to ensure “minimum living standards” for workers.
- The draft rules incorporate criteria declared in a landmark judgment of the Supreme Court in 1992 as well as recommendations of the 15th Indian Labour Conference.
- These include the -
  - i. net calorific needs for a working class family set at 2,700 calories per day per consumption unit
  - ii. annual clothing requirements at 66 metres per family
  - iii. house rent expenses assumed at 10% of food and clothing expenditure
  - iv. expenses on children’s education, medical needs, recreation and contingencies
- A working class family is defined as the earning worker, spouse and two children or the equivalent of three adult consumption units.
- The rules, similarly, cover almost the entire gamut of wage-related norms.
- These include -
  - i. the number of hours of work that would constitute a normal working day (set at 9 hours)
  - ii. time interval for revision of dearness allowance
  - iii. night shifts and overtime
  - iv. criteria for making deductions
- A separate chapter of the draft rules deals with the payment of bonus.
- Also dealt in detail are the guidelines for the formation of the Central Advisory Board as well as its functioning.

## **What were the earlier recommendations in this regard?**

- A national minimum wage of Rs. 176 per day had been recommended in 2017.
- An expert committee had in 2019 recommended that a ‘need based national minimum wage for India’ ought to be fixed at Rs. 375 per day (Rs. 9,750 per month).
- Additionally, the committee had suggested payment of a city compensatory allowance averaging up to Rs. 55 per day for urban workers.
- Earlier, in 2015, the 7<sup>th</sup> Central Pay Commission had recommended setting the minimum pay for government employees at Rs. 18,000 per month.
- Recently, the Delhi government set a minimum wage of Rs. 14,842 per month for unskilled workers.
- This came after the Supreme Court ruled in favour of the local government, leaving aside the objections raised by many employers’ associations.

- The Economic Survey too emphasized on the importance of establishing an effective minimum wage system.

### **How will the code impact the economy?**

- A lot will depend on the final floor wage or wages that the Centre will choose to set.
- A statutory national minimum wage would have multiple impacts including helping lift wage levels and reducing wage inequality.
- It would thus go a long way in ensuring inclusive growth.
- For India to reap the 'demographic dividend', robust wage expansion would be essential to help sustain consumption-led economic growth.

### **What lies ahead?**

- Trade unions have voiced their reservations with multiple aspects of the Code and plan to submit detailed feedback.
- The points of contention include -
  - i. the 9-hour working day definition
  - ii. a lack of clarity in the rules on scope for upgradation of workers' skill category
  - iii. the lack of representation for trade unions in the wage fixation committee
- The ultimate success of the Code will be determined by the extent to which the minimum wage set is both fair and actually implemented.
- It would, ultimately, have to benefit the millions of workers in the unorganised sectors of the economy.

**Source: The Hindu**