Code on Wages Bill

Why in news?

In executing its plans on converting 35-odd labour laws into 4 codes, the government plans to first take up the Code on Wages Bill.

What is the current system?

- The present law mentions 13 most vulnerable categories of employment.
- In this, the minimum wages are fixed by both the state governments and the Centre.
- [The Centre can notify the minimum wage rate for railway, agriculture, mining or central government entities.]
- The rates vary in accordance with skill sets, sectors and location.

What are the concerns?

- The existing system has led to over 1,700 minimum wage rates, fixed by both states and the Centre.
- The varied rates turn out as a huge compliance burden on industry.
- It has the potential of unleashing inspector raj, and largely works against the welfare of workers.
- Notably, the Centre started notifying a uniform national floor level minimum wage from 1996, which is non-binding on states.
- The national floor level was last revised by 10% to Rs 176 a day in July 2017.
- But to date, even business-friendly states such as Andhra Pradesh and Gujarat have fixed their minimum wage below the national floor.
- Other states are compliant with the above non-statutory national floor.
- So the minimum wage rate varies from Rs 69 to Rs 538 across states (with the lowest in Andhra Pradesh and the highest in Delhi).
- It is Rs 321 for the industries falling in the central sphere, as of November 2018.
- The variations call for a statutory floor across the country.

How will the wage code bill help?

- The Code on Wages Bill was introduced in the Lok Sabha in August 2017. [Click here to know more on the provisions.]
- Under the proposed law, the minimum wage law will be extended to all

sectors, instead of the current 13 categories of work.
- This move is expected to ensure universal wage protection against exploitation.

What are the challenges though?

- The proposed Bill empowers the Centre to fix a statutory minimum wage.
- But notably, this may differ from state to state or from one geographical area to another.
- This idea of a differentiated national minimum wage rate was taken forward by a government-appointed committee.
- The committee has suggested a national minimum wage level for five different zones.
- Four of these were grouped using varied socio-economic and labour market factors.
- The fifth group included all North-eastern states except Assam.
- Despite the grouping, a regional-level minimum wage rate can lead to disparity among various regions with varying economic profiles.
- This is bound to make the system complex and confusing and difficult to enforce.

What could be done?

- The Centre should fix a single national floor for minimum wages for all workers.
- It should let the states fix their own rates, but the states should do so keeping in mind the national floor.
- Such a simpler structure would be easy to enforce and implement.
- Without addressing these gaps, passing legislation on minimum wages may have a direct bearing on jobs and industrial relations.

Source: Business Standard

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