How the Code on Wages legalises Bonded Labour

What is the issue?

The Code on Wages, 2019 gives legal sanction to debt bondage by allowing employers to extend limitless credit advances to their workers and charge an unspecified interest rate on them.

What is the Code on Wages, 2019?

- The Code on Wages, 2019 seeks to consolidate and simplify four pieces of legislation into a single code. The legislations are,
    - Payment of Wages Act, 1936
    - Minimum Wages Act, 1948
    - Payment of Bonus Act, 1965
    - Equal Remuneration Act, 1976
- It was based on the recommendations of 2nd National Commission on Labour, 2002.

What are the key features of the code?

- **Coverage-** The Code will apply to all employees.
- The central government will make wage-related decisions for employments such as railways, mines, and oil fields while State governments will make decisions for all other employments.
- Wages include salary, allowance, or any other component expressed in monetary terms but excludes bonus payable to employees, travelling allowance, among others.
- **Fixing the minimum wage-** The Code prohibits employers from paying wages less than the minimum wages which will be notified by the central or state governments.
- The minimum wages will be revised and reviewed at an interval of not more than five years.
- While fixing minimum wages, the central or state governments may take into account factors such as skill of workers, and difficulty of work.
- **Floor wage-** The central government will fix a floor wage, taking into account living standards of workers and different floor wages may be set for different geographical areas.
- The minimum wages decided by the central or state governments must be higher than the floor wage.
- **Overtime-** The central or state government may fix the number of hours that constitute a normal working day.
- For employees working in excess of a normal working day, they will be entitled to overtime wage, which must be at least twice the normal rate of wages.
- **Payment of wages-** Wages will be paid in coins, currency notes, cheque, crediting to the bank account, or through electronic mode.
- The wage period will be fixed by the employer as daily, weekly, fortnightly, or monthly.
- **Deductions-** An employee's wage may be deducted on certain grounds including - fines, absence from duty, accommodation given by the employer, or recovery of advances given to the employee, etc.
- These deductions should not exceed 50% of the employee's total wage.
- **Determination of bonus-** All employees whose wages do not exceed a specific monthly

amount, notified by the central or state government, will be entitled to an annual bonus.
- An employee can receive a maximum bonus of 20% of his annual wages.
- **Gender discrimination-** The Code prohibits gender discrimination in matters related to wages and recruitment of employees for the same work or work of similar nature.
- **Advisory boards-** The central and state governments will constitute advisory boards to advise the respective governments for fixation of minimum wages and increasing employment opportunities for women.
- One-third of the total members on both the central and state Boards will be women.
- **Offences-** Penalties vary depending on the nature of offence, with the maximum penalty being imprisonment for three months along with a fine of up to 1 lakh rupees.

What are the criticisms of the code?

- **A free pass to debt bondage-** The code allows for deductions from wages for the recovery of advances of whatever nature and the interest thereof which have huge implications.
- The code has done away with the cap of **not more than two months of a worker's wages** under the earlier Act that an employer can give as advance thus allowing employers to lend unlimited advances to their workers.
- It has legalised the charging of an interest rate by the employer on such advances with no details on what might be charged which sanctions for the bonded labour system to flourish.
- The Code increases the permissible monthly deduction towards such recovery, up to one-half of the worker's monthly wage as compared with one-fourth under the earlier Act.
- **Cases in Rajasthan-** In Baran district, Rajasthan (2011-12), a series of Sahariya families spoke of their harrowing experiences of violence and rape at the hands of landlords, for whom they had worked as 'halis' for generations.
- The mostly upper-caste government officials refused to acknowledge them as bonded labourers as per the Act, thereby denying them any sort of relief or rehabilitation.
- In a survey in a mining cluster of Nagaur district, Rajasthan for the Mine Labour Protection Campaign (2015), one in three workers interviewed had taken advances from their employers ranging from Rs. 1,000-Rs. 1,50,000 at the time of joining work, mostly to pay off the earlier employer or a moneylender.
- But in Parliament, the existence of bonded labour has simply been denied among elected representatives, or grossly understated.
- **Deepening inequality-** The disproportionate effect of this Labour Code will fall on Dalits and the landless.
- This will deepen the economic inequality to the advantage of the privileged castes and classes thereby keeping true political freedom out of the workers' reach.

What does this call for?

- Economic enslavement was an extreme form of coercion that rendered political freedom meaningless, and that democracy itself required state intervention in the economic structure to prevent such practice.
- Dr Ambedkar proposed a complete recast of rural and agrarian land structures and state ownership of land and also defined democracy as resting on two premises that required the existence of economic rights.
- These anti-labour codes, with numerous other dilutions that snatch away the mostly non-existent rights of the far more vulnerable class of workers need a re-analysis.

References

1. https://prsindia.org/billtrack/the-code-on-wages-2019
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