

Minimum Wage Policy and Gig Workers

For Prelims: Minimum wage, e-Commerce Platforms, Bigbasket, Flipkart, Urban Company, Fair Pay, Fair Conditions, Fair Contracts, Fair Management, Fair Representation.

For Mains: Need and significance of minimum wages in promoting <u>inclusive growth</u> and development.

Source: TH

Why in News?

The **fifth annual study** conducted across **12** <u>e-commerce platforms</u> **by Fairwork India,** presents a grim picture of working conditions for **India's gig workers**.

- Fairwork is a team of researchers part of International Institute of Information Technology, Bangalore's Centre for IT and Public Policy.
- Five Fairwork principles such as Fair Pay, Fair Conditions, Fair Contracts, Fair Management and Fair Representation were examined in the study.

What are the Key Highlights of the Study?

- Minimum Wage and Worker Alienation:
 - The study highlights that only three platforms, including Bigbasket, Flipkart, and Urban Company, have minimum wage policies to ensure workers earn at least the local minimum wage.
 - However, no platform guarantees that workers earn a living wage. This year's study
 explores how working conditions contribute to alienation, often linked to
 discrimination based on factors like caste, class, gender, and religion.
- Safety, Contract Clarity, and Worker Protections:
 - Some platforms also offer accident insurance coverage and compensation for income loss due to accidents or medical reasons.
 - Additionally, companies have taken measures to ensure contract clarity, data protection, and processes for handling worker issues, such as appealing disciplinary actions.
 - Unfortunately, no platform received points for Fair Representation, indicating a lack of recognition for collective worker bodies despite increased worker collectivization in recent years.

What is the Scenario of the Gig Economy in India?

- Definition:
 - The gig economy refers to a labor market characterized by the prevalence of short-term contracts, freelance work, and temporary positions, as opposed to permanent

employment.

 In the gig economy, individuals often work on a project-by-project basis, taking on various "gigs" or tasks, rather than being traditional full-time employees of a single company.

Growth Scenario:

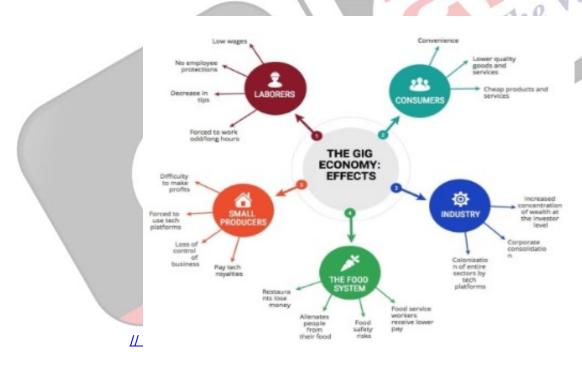
- As per the **Economic Survey 2020–21**, India has emerged as one of the world's largest countries for flexi staffing, or gig workers.
- As per <u>Niti Aayog</u>'s report on **Gig Economy**, the latter employs approximately 7.7 million workers, with the number expected to rise to 23.5 million by 2029-30, comprising around 4% of overall livelihood in the country.
- Currently, about 31% of gig work is in low skilled jobs such as cab driving and food delivery, 47% in medium-skilled jobs such as plumbing and beauty services, and 22% in high skilled jobs such as graphic design and tutoring.

Major Issues Faced by Gig Workers:

- Gig workers are often **excluded from social security and labor legislation** due to their **ambiguous employment status.**
- Social security and other basic labor rights like minimum wage, limits on working hours, etc. hinge on "employee" status, the independent contractor status of gig workers excludes them from getting such benefits and legal protections.
- In the event of disability or a worker's death, Social Security provides benefits to eligible individuals and their families. Gig workers may have lower coverage for these benefits, which can affect their financial security in challenging circumstances.

Government's Initiatives:

- The <u>Code on Social Security (2020)</u> contains a separate section on 'gig economy' and imposes an obligation on gig employers to contribute to a Social Security Fund to be handled by a government-led board.
- The <u>Code on Wages</u>, <u>2019</u>, provides for universal minimum wage and floor wage across organized and unorganized sectors, including gig workers.



What is the Minimum Wage Policy of India?

Code of Wages Act 2019:

- The Code aims to transform the old and obsolete labour laws into more accountable and transparent ones and seeks to pave the way for the introduction of minimum wages and <u>labour reforms in the country.</u>
- It universalizes the provisions of **minimum wages** and timely payment of wages to all employees irrespective of the sector and wage ceiling and seeks to ensure **"Right to"**

Sustenance" for every worker and intends to increase the legislative protection of minimum wage.

- The Central Government is empowered to fix the <u>floor wages</u> by taking into account the living standards of workers. It may set different floor wages for different geographical areas.
 - The minimum wages decided by the central or state governments must be higher than the floor wage.
- Fixation of Floor Wage:
 - The Code on Wages Rules, 2020 mentions the concept of a floor wage, which empowers the central government to fix floor wages taking into account the minimum living standards of workers.
 - The floor wage is a baseline wage below which minimum wages cannot be fixed by state governments.
 - The Wage Code permits the fixation of **different floor level wages for different geographical areas.** However, this has given rise to the fear of flight of capital from areas where the wage is higher to areas where the wage is lower.

Way Forward

- Worker Classification: Define clear guidelines for the classification of gig workers (e.g., independent contractors, employees) to ensure they receive appropriate legal protections and benefits. India's labor laws have been evolving to address this issue, and the distinction between gig workers and traditional employees is a key consideration.
- Social Security and Benefits: Explore options for providing gig workers with access to social security benefits, such as retirement savings, health insurance, and unemployment benefits, potentially through a portable benefits system.
- **Wage Protection:** Implement mechanisms to ensure gig workers receive fair compensation, and consider setting minimum wage standards for specific gig roles to prevent exploitation.
- Skill Development: Encourage continuous skill development and training for gig workers to
 enhance their employability and earnings potential. Government and industry partnerships
 can help in providing training programs tailored to gig economy needs.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims:

- **Q.** In India, which one of the following compiles information on industrial disputes, closures, retrenchments and lay-offs in factories employing workers? **(2022)**
- (a) Central Statistics Office
- (b) Department for Promotion of Industry and Internal Trade
- (c) Labour Bureau
- (d) National Technical Manpower Information System

Ans: (c)

Mains:

Q. Examine the role of 'Gig Economy' in the process of empowerment of women in India. (2021)

