



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 [inclusive growth](#) and development.

Source: TH

Why in News?

The **fifth annual study** conducted across **12 e-commerce platforms** 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 [Niti Aayog'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 [Code on Social Security \(2020\)](#) 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 [Code on Wages, 2019](#), 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 [labour reforms in the country](#).
- 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 floor wages 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)**

