



## Redesigning Minimum Wage System

As per **Economic Survey 2018-19**, a well designed minimum wage system is required to reduce **wage inequality** in the country.

- According to the [International Labour Organisation's India wage report](#) one in every three wage workers in India is not protected by the [minimum wage act](#).

### Inadequacies in Minimum Wage System

- **Complex system:** Presently the minimum wage system, under the Minimum Wages Act, 1948, has different minimum wages defined for different job categories across States.
  - 1,915 minimum wages are defined for various scheduled job categories across various states.
- **Lack of a uniform criteria** for fixing the minimum wage rate.
  - Different minimum wages for the same occupation across different states, along with a wide range between the lowest and highest minimum wages, trigger migration of industries towards low wage regions.
  - This can also cause **distress migration** of labour to better paying states.
- **Gender Bias:** Analysis of minimum wage data also shows a systemic gender bias. For example – **male-dominated** job of security guards pays better than being a domestic worker, most of whom are women.
- **National Floor Level Minimum Wage:** Some states have minimum wages even below the non-statutory National Floor Level Minimum Wage (NFLMW) of Rs 176 per day.

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- **Simplification:** Survey states that rationalisation of minimum wages as proposed under the **Code on Wages Bill** needs to be supported.
  - Code on wage bill amalgamates the Minimum Wages Act, 1948, the Payment of Wages Act, 1936, the Payment of Bonus Act, 1965 and the Equal Remuneration Act, 1976 into a **single piece of legislation**.
  - The definition of wages in the new legislation should subsume the 12 different definitions of wages in different Labour Acts.
- **Setting National Floor Level Minimum Wage:** Survey suggests that the Central Government should notify a national floor minimum wage that can vary across five geographical regions.
  - Thereafter, states can fix minimum wages, which shall not be less than the 'floor wage'.
  - This would bring **uniformity** in the minimum wages across the country and would make all states almost equally attractive from the point of view of labour cost for investment as well as reduce **distress migration**.
- **Criteria for Setting Minimum Wage:** Survey suggests that the Code on wages bill should consider **fixing minimum wages** based on either of **two factors**:
  - **Skill category** i.e. unskilled, semi-skilled, skilled and highly skilled.

- **Geographical region**, or else both.
- **Regular adjustment:** The **minimum salary** needs to be adjusted regularly to keep pace with **inflation**.
  - A mechanism should be developed to adjust minimum wages regularly and more frequently.
- **Role of Technology:** Technology will play an important role in both the processing of information around wages as well as **tracking compliance**.
  - As per survey a mix of **online, mobile phone** and **networking technologies** could facilitate the collection and analysis of labour statistics, assist with the dissemination of information about labour laws and policies, reduce costs and improve transparency.
  - **A national level dashboard** can be created at the centre with access to state governments whereby states can regularly update notifications regarding minimum wages and the portal must be made available at Common Service Centres and rural haats.

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