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Code on Wages (Central) Rules, 2019

What is the issue?

- It has three months since the Code on Wages, 2019, came into being.
- Now, the government has come up with draft rules stating the manner in which the minimum wages will be determined.

What would be the new changes?

- According to the draft rules released by the labour and employment ministry - Code on Wages (Central) Rules, 2019 - minimum wages should be set keeping in mind the needs of a worker's family of three.
- It has prescribed that the minimum wage be fixed by determining,
 1. The monetary value of Net food intake of 2,700 calories per day for a working person and 66-metre cloth per year for the whole family.
 2. Share of expenditure on house rent, electricity, fuel, children's education, medical requirements, recreation, and contingencies.
- It has also proposed categorising 681 professions into 4 different skill-based baskets: Unskilled, semi-skilled, skilled, and highly skilled.
- Each of these will have a different set of minimum wages, along with differences based on geography - metro, non-metro, and rural areas.
- It is praiseworthy that the government has sought to prescribe a formula in the rules for calculating the minimum wage for workers compared with the erstwhile Minimum Wages Act of 1948.
- In this Act, the standard methodology or guidelines for fixing the minimum wages were missing.

What do the draft rules intend to follow?

- As a result, the state governments and the Centre mostly relied upon norms recommended by the **Indian Labour Conference (ILC)** in 1957 to fix minimum wages.
- The recommendations were subsequently strengthened by a Supreme Court judgment in 1992, popularly known as the **Reptakos judgment**.
- The government's draft rules intend to follow the ILC recommendations

(made 6 decades ago) and the Reptakos ruling (came 3 decades back).

- The spirit of these two was followed by the 7th Pay Commission.

What are some other things to be followed?

- However, at a time when the government is planning to reset labour law legislation and combine 35 labour laws into 4 codes, policymakers would do well to use some **evidence-based analysis** and **take into account current realities**, rather than following these two.
- It is vital to follow a need-based approach, but the needs of workers in India have changed a lot in over 60 years.

What did the government-appointed committee say?

- A government-appointed committee on setting minimum wages found a declining trend in terms of calorific requirements of Indians.
- Based on scientific analysis, the committee found that the consumption pattern of workers in India has changed to a food net intake of 2,400 calories, along with 50 g of protein and 30 g of fat per day.
- It recommended increasing the size of the households, while fixing the minimum wages, from 3 to 3.6 units, based on the latest NSSO survey.
- Further, the Centre should not complicate the minimum wage system by prescribing wages based on skills, including the “highly skilled” category.
- While industry should be given a free hand in deciding the level of wage for skilled workers, the Centre can instead fix a different set of minimum wages involving arduous work, a key element of the Code on Wages, 2019, surprisingly missing in the draft rules.
- The norms are important because they will act as a model for state governments.
- Rather than rushing in, it should set an example for states by adopting a framework which is commensurate with the present times.

Source: Business Standard



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