

Course Name: Labour Welfare and Industrial Relations

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Week – 10

Lecture – 03

Hello learners, welcome back to the course on labor welfare and industrial relations. We move to the third lecture of this module where we look into the fixation of minimum wages. How do you actually, you know, come down to a particular wage number or a particular salary figure? So this is what would be our key intention. We'll look into the scope of the entire act and we'll understand the act from this dimension.

I'm Dr. Ibrahim Sirilaisat. I'm a faculty at the School of Business, Indian Institute of Technology, Guwahati. Now, when you have looked into the Minimum Wages Act, the nuances of this particular act, how this act has evolved over a period in time, how different critical aspects including the welfare part is taken care of by this act we have to understand how you come down to a particular figure what is the entire scope of this act and that is what we'll try to decipher today when you look into the act let's have a quick brief overview of what we have seen what we know as the minimum wages act it is having a certain legislative background now let's look that into let's look into this in a more deeper way when you're looking into the legislative background essentially the minimum wages act 1948

was enacted to ensure a fair remuneration for the labour to prevent exploitation. So this has been the consideration from the beginning. When you look into the concept of minimum wages, It first evolved with reference to remuneration of workers in those industries where the level of wages was substantially low as compared to the wages for, let's say, similar types of labor in other industries specifically. So when you look into the

International Labor Conference or, you know, other aspects like the Royal Commission on Labor, etc.,

In 1929, this Royal Commission on Labour was adopted, which considered the subject of this minimum wages. And as I've already mentioned, the International Labour Conference 1928 came up with a draft convention that was adopted on the subject of minimum wages. So this minimum wages convention. This is what interested us in the early 30s or the late 20s, specifically 28 and 29. The Minimum Wages Act was enacted to fulfill the aspiration of the workers as contained in the resolution specifically based on the Geneva Convention that was held in 28.

In a very free competitive market, what we understand is that the level of wages payable to workers is determined by the forces of demand and supply. Now, this is classical economics. In a welfare state, the protection of workers' interest is one of the aims of legislations enacted in the labor field. So the same is also true regarding this Minimum Wages Act enacted by our Indian Parliament. So in case of, let's say, People's Union for Democratic Rights versus Union of India, it was stated that

that the Minimum Wages Act is, as is for all other legislation, a welfare measure. Please note, that's why I started the class with, if you have noted, that I've tried to underscore this welfare as one of the key aspects. Welfare measure to alleviate the suffering of the sections of the society, mainly labouring under economic distress. So, when you look into a country which is still underdeveloped, The exploitation of labor in certain industries is a common feature.

We do understand, we do acknowledge the fact and unemployment is totally prevalent within the country which forces the labor to accept the employment even on very minuscule wages or I will say the starvation wages if I can use the word. So what we specifically understand as the overview of the Minimum Wages Act is that it is having a certain legislative background. So it extends to the whole of India and applies to all employments specified by the appropriate government. There is a clear-cut categorization. The Act categorizes workers into skilled, semi-skilled and unskilled laborers.

So this has been phenomenal when you consider this Act essentially brings out a framework for determining appropriate wages based on these skill levels. So that was a need of the hour. We cannot challenge that. That was pretty much required. So that categorization brings an added level of detailing to the particular wage act.

Now, finally, if you look into the objective of the act, what we have seen in the previous lectures also, the primary aim of the Minimum Wages Act was to fix and regulate minimum wages. So this has been the underlying theme for the last couple of lectures, if you have noted, ensuring that the workers receive fair compensation for their labor. Now, when we look into the act, We have to understand, especially in this lecture, this is one of the main themes or the kingpin themes of this lecture. we have to look into the scope of the act.

The scope of the act is initially relying on to ensure workers' comfort. I've already talked about the welfare path, good health, you know, basic physical needs are met. So make sure that the workers are paid fairly and to guarantee that the workers have a very respectable living and a very good reputation in the community. So this is what is significant. So on that basis, if you look into the scope, the first and the foremost aspect would be applicability.

Now, the act applies to various industries, including, you know, agriculture, including construction, manufacturing and even service sector for that matter, ensuring that workers across all these different fields are protected. Now, you look into the role of appropriate government, you will understand that the act empowers workers. the appropriate government, the authority to fix and revise the minimum wages, considering all the factors, let us say factors like the cost of living, factors like skill levels or prevailing economic conditions altogether. So all these factors are also considered. So that said, worker protection is also one of the key aspects.

When you look into the concept of the intention of setting minimum wage standards, act safeguards, workers from being paid less than a fair wage, promoting a social justice and economic stability. So what you can understand from this, the scope part of this act is

specifically, there is a clear-cut applicability. It varies across different sectors. It has a wide connotation when it comes to, you know, different types of workers.

It looks into skills, semi-skilled, unskilled, etc. So there is a little level of there is a deeper level of detailing that has happened in the act. When you look into specifically the role of appropriate government. It ensures that there is a certain standard of living. It ensures that their skill levels or the worker's skill levels are upgraded because of a standard wage that is coming to them.

And also, most importantly, the worker protection. Worker protection has been the cornerstone of this act and the scope of the act readily defines this. You look into any particular factor. Let's say the moment the worker is paid less. There is a level of uncertainty.

There is a level of discomfort. There is a level of sort of grudge that develops between the employee and the employer. This leads to a reciprocating phenomenon. Employer also reciprocates. So somewhere the efficiency or the commitment part or the involvement of the worker goes down.

When the involvement goes down, the employer also defines or behaves reciprocates in a similar manner. This creates a loop, a loop of distrust. So all these aspects critically underscore one thing that if you are paying your people, if you are paying the employee. in a standardized form, in an industry standard, at par with industry standard, then you are not going to face this problem. So this is the scope of the act.

I hope I'm able to picturize this on the basis of applicability, on the basis of role of the appropriate government of the day, It could be the state government. It could be the central government on the basis of the most important factor, which is the worker protection. So these are some of the critical aspects when you consider the scope of the act. Now, let's look into the key provisions.

We look at from the interpretation of terms perspective. We look at from the most important aspect, which is fixing of the minimum rates for particular work. Then finally

we look into the enforcement mechanism. Let's look into this in detail. When you look into the Interpretation of Terms Act provides clarity on essential terms such as wages.

So this is one thing that always was bit blurry or bit inaccurate to start with. So when you look into Certain subjects like adolescent, there is some critical mention of these words. Adolescent means a person who has completed his 14th year of age but has not completed his 18th year of age. Let's say there is a word used, adult.

It means a person who has completed his 18 year of age and is above. So basically, you know, you look into different terms. Maybe it is adolescent. Maybe it is adult. So all these words have certain ramifications when it comes to this particular act.

These words are critically defined in this act. When you're looking into the terminology of appropriate government, we are discussing the previous slide. Appropriate government means in relation to any scheduled employment carried on. By or under the authority, it could be the central government, it could be the railway administration, or maybe let's say, let's look into a different case altogether. Let's look into a case of mine or oil field or a major port or any corporation for that matter established by a central act.

The central government would be the key aspect or the key authority or the key government in relation to any other scheduled government. In relation to any other scheduled employment, the state government should come into picture. And when you look into... You have defined adolescent, you have defined adult, you have a definition of child also. Child means a person who has not completed his 14th year of age.

So this act categorically defines all the functional words. So be that as it may, there is some clarity that is coming into different segment of different types of people who are covered under this act. Again, we do not stop there. If you actually look into the key provisions, we have to understand there is critical mention of something like competent authority. So people who are working in government firms or let's say government institutions, state government, central government, they always come across this particular word, right?

When you look into, let's say, this could be more clear with the people who are working in a government setup. When you look into any government job for that matter, Time and again, you see some office orders, you see some orders coming in from the higher authority and the responsibility of that will be taken by a competent authority. So this order is passed with approval by the competent authority or they'll be mentioned that this approval or this this particular order is incognizance. the competent authority or it has taken permission from the competent authority or any questions may be raised to the competent authority so the word competent authority is very critical and you must have come across this it might be a familiar word if you are in a government set to be it a government job it a ministerial job it a educational institution affiliated to the central government may be autonomous but still a central government entity so all these aspects generally all these jobs generally you would have come across so this act

The Minimum Wages Act typically defines even what is competent authority. Let's understand that. When you look into the key provisions, we have to understand that there are different definitions given to each and every single word. Adolescent, adult, child, etc. We have seen competent authority means the authority appointed by the appropriate government by notification in its official gazette.

to ascertain from time to time the cost of living index applicable to the employees employed in the scheduled employments specified in those notifications. This is specific to the Wages Act. When you look into other aspects, there are critical mention of cost of living index number. What do you mean by employer? Employer is a person who employs whether directly or through another person or whether on behalf of himself or any other person.

One or more employees in any scheduled employment in respect of which minimum rates of wages have been fixed under this act. So this is what do you mean by employer? A mention of this will come in later slides also. Now, the most important aspect, wages. What do you mean by wages specifically?

When you look into wages, wages means all remuneration capable of being expressed in terms of money, monetary benefit, which would, if the terms of contract of employment

express or implied were fulfilled, be payable to a person employed in respect of his employment or of the work done in such employment. So it could include anything, the value of, let's say, any house accommodation, supply of resources like medical, water, light, etc., any other amenity, right? Will it be part of it? So it includes the house rent allowance.

But what it does not include that is more critical. We have already looked into it very quickly. We'll see that the value of any house accommodation, the supply of resources like water, light, medical facilities, etc. Any other amenity or any service excluded by general or special order of the government authority. any contribution paid by the employer to, let's say, a provident fund or pension fund, any traveling allowance, any sum paid to the person, let's say, employed to defer special expenses and deal on him, any gratuity payable.

So these are all not part of the particular terminology, which is called wages. So we had a discussion on that. So I'm not going to give more time on that. But what is to our interest is when you look into the key provision, there are certain interpretation of terms which we have seen. Now, when you look into the fixing of minimum rates, it outlines the process for fixing minimum rates of wages, emphasizing the importance of regular revisions to align with economic changes.

So economic changes could be anything like inflation. There is a recession that's going on. So all these aspects, the authorities, you know, take due consideration of that and they'll try to fix the minimum rates. And especially when you look into the enforcement mechanisms, the act establishes mechanisms for enforcement, including the appointment of inspectors and the imposition of penalties for noncompliance, etc. So these are some of the critical aspects what we see.

And we would like to focus here on fixing minimum wages. That's the area which we are concerned. When you look into fixing minimum wages, there are different factors. Very quickly, we'll see that there are factors like cost of living, there are factors like prevailing economic conditions, etc. When you look into the fixing of minimum wages, what we typically understand is that there are certain clear-cut provisions given under this Act.

And there are certain factors that are considered. When you look into the fixing of minimum wages, all the review is made on regular intervals. We have already seen. So the minimum wages gets revised. The appropriate government, the government of the day may fix the minimum rate of wages for time work.

The minimum rate of wages for piece work. So all these aspects, even minimum rate of remuneration to apply in case of employees employed in on piece work for the purpose of something like securing to such employees a minimum rate of wages on a time work basis. So all these aspects are actually. in detail covered in this act when you look into the entire aspect of this particular wage fixation you will see that there are certain categorical evidences in fixing or revising minimum rates of wages that comes under this section it could be different minimum rate of wages may that may be fixed for different scheduled employments that may be understood or that may be fixed for different classes of work in the same scheduled employment could be possibility Adults, adolescents, children and apprentices, that was the reason why we had to define different terminologies like adults, adolescents, etc.

Even different locality, when it comes to, let's say, the time period of the work, by the hour, by the day, by the month, how much would be the wage that would be fixed by such other larger wage period as may be prescribed. So these are some of the factors what we will understand has been emphatically considered when you try to fix the minimum wages. When you look into the typical factors like cost of living, the appropriate government considers the cost of living. There is no doubt about it because this is one of the most significant element when it comes to the factors considered. Housing and other essentials to determine minimum wage levels that enable a decent standard of living.

You look into the prevailing economic conditions, economic factors, let us say something like inflation, productivity and even overall economic growth. are considered to set minimum wages that are sustainable for employers and equitable for workers. When you look into the skill and productivity part, the heart recognizes the importance of skill levels and productivity in determining wage levels, aiming to reward workers fairly based on their contribution, their contribution to the entire workforce or entire capital formation. Now, when you look into the Minimum Wages Act, you have to appreciate the

existence and the role of the tripartite committees. What's the relevance of tripartite committees?

Let's look into the history. In 1948, what happened is that a tripartite committee known as the Committee on Fair Wages, the Committee on Fair Wages, Fair wages was established to offer recommendations for the nation's wage system. So the committee's findings were a significant turning point in India's wage policy making history. We had consultative process.

Consultative process means there's tripartite committees, as you can see, comprising representatives of employers, employees and independent experts that played a crucial role in deliberating and recommending minimum wage revisions. So essentially, the first important aspect was a consultative process. The second key factor was balancing interest. These committees facilitated dialogue and negotiation, ensuring that the interests of both employers and workers are considered in the wage revisions part.

We also see that there was transparency and accountability. The involvement of tripartite committees enhances this transparency and accountability in the wage fixation process, which promoted trust and fairness to a great extent. So these were the relevant representative role or this was the critical role that was identified for the tripartite committee. It went through consultative process. It had a balancing interest in it had essentially transparency and accountability.

When you look into the compliance and enforcement part of this act, they carry out the authorities, carry out routine checks and urge the business entities to cover any wage shortfall. If they actually discover any critical instances of nonpayment or maybe underpayment. So two important factors I would like to mention is nonpayment and second is underpayment. So please note, this act not only addresses non-payment, it also has a typical bit of targeting towards underpayment also. So when you are looking into the employers who sometimes carry underpayment in the guise of payment, so that would also be big doubt.

So the act specified penalties are applied in the event of non-compliance. When you look into the role of inspectors, it is clear that The Act empowers inspectors to ensure

compliance with minimum wage regulations, conducting inspections and investigations to address critical instances of certain non-compliance. There are also critical penalties associated with violations. Employers found to be in violation of this particular minimum wage.

Wage loss may face the penalties, and this would include fines and other legal consequences. Some of the consequences we have already seen in the previous lecture to deter exploitation and typically what we have seen as underpayment. So please note, not only nonpayment, it also takes into consideration underpayment as well. When you look into the third important factor of compliance and enforcement, it is the worker empowerment. And this is the most critical aspect.

The other two are more of, you know, involuntary aspects or more of a mandatory aspects. But when it comes to worker empowerment, the act categorically provides avenues for workers to report violations and seek redress, empowering them to assert their rights to fair wages. Now, this is something which actually warrants a critical discussion. When you look into the enforcement part, when you have the inspectors in place,

When you have certain mandatory provisions that checks or corrects or validates any violation and acts on behalf of the Act, then it is more of coming from a part of a mandate. It is coming from part of statutory. There is some legal sanctity that is because of the mandatory provisions of the Act. But when it comes to the work empowerment, the worker empowerment, Please note, it is more voluntary.

How the act empowers the worker, that is reciprocated, that is translated here specifically when it comes to compliance and enforcement. If there is some anomaly that is being reported, is the worker empowered enough to actually communicate it to a larger audience? Or let's say to the effective stakeholders? Or is the worker empowered enough, is there enough psychological safety, if I can use the word, within the work environment to raise a complaint? Without being ridiculed, without being looked down, belittled.

So please note this is something which is more voluntary. Something like worker enforcement, worker empowerment, which is more critical. So please note that worker

empowerment essentially happens to be a compliance and enforcement aspect. But it has to come up as a voluntary consequence of what we see as different empowerment mechanisms like the Wages Act. When you look into the entire act, let's look into the impact and implementation of this act.

There are different elements which are factors which have been considered here, right from poverty alleviation to stimulating the consumer spending, increasing the average propensity to spend or even to a certain extent how the act actually brings in socio-economic equality. Let's look into that in greater detail. When you look into the social welfare and economic stability for that matter, we'll see that there are different factors that the act categorically tries to address. One is poverty alleviation. The act contributes to poverty reduction by providing a safety net.

This is something which I'm trying to underline every single lecture for workers and their families, lifting them out of destitution and promoting social welfare. When you look into factors like stimulating consumer spending, we look into fair wages leading to increased purchasing power, stimulating the consumer spending. So if you want to actually increase the average propensity to spend the consumer spending part, this is vital, stimulating the consumer spending part and thereby contributing to the economic growth and stability. When you look into the impact and implementation, we cannot undermine the socioeconomic equality that the entire scheme brings in. By addressing, let's say, economic income disparities, the Act fosters socioeconomic equality and categorically reduces the wealth gap.

promoting a more inclusive society. So this is what the impact and implementation of the entire social welfare and economic stability angle of the act is all about. But that said, this is not an easy thing. This is not a cakewalk. The enforcement has been pretty much tricky and there are certain challenges and opportunities.

Also, let's look into the challenges and opportunities. When you look into these challenges specifically, We have the most pertinent challenge, which is the informal sector. Every single act, let's say, I usually tell to my students that, you know, when it comes to any particular exam related to law or especially these acts or something, you

know, you can directly write an answer that you are not taking care of the informal sector. And it happens to be a reality, unfortunately, for most of the acts.

Here, the case is no different. When you look into the challenges of this particular act, informal sector integration is one of the key aspects. The act presents opportunities to extend the minimum wage protections to workers in the informal sector, addressing a historically under-deserved segment of the entire workforce. Now, a lot of people who are working in this informal sector, they are not able to reap the benefits of this particular act, and that is the biggest challenge. When you look into the compliance and awareness part,

The challenges related to compliance and awareness require concerted efforts to educate the employers and workers about categorically their rights and responsibilities. And when you look into economic competitiveness, balancing the need for fair wages with economic competitiveness poses a challenge in necessitating a nuanced approach to wage fixation. So let's see these challenges from a different angle. When you look into the first and the foremost challenge, we'll see that, you know, the informal integration. We have already seen that large workforce is under the informal sector.

What happens in those cases is that there's a large number of population of the population of workforce, which is actually not able to get the benefit out of this particular act or for that matter, any act which actually avoids them or eliminates them. So please note, this is a challenge. But how well we can integrate the informal sector into the formal sector or make them come under the purview of this act is critical. More than that, what could be done is to ensure that there is awareness, awareness campaigns, awareness initiatives, which will actually show that, yes. for an employer he or the organization or the entity will feel that yes it is good that if i actually pay a minimum wage my company will have a better goodwill my company will have a better you know name in the market my company will have a better brand value in the era where companies are governed or run by brand value this would be one of the key compliance would be an automatic consequence of this

When you are looking into awareness, if the employer is aware of his responsibilities, the employee is aware of his rights, there is a congruence. If that is not there, the employer is

not aware of his duties, the employee is not aware of his rights, there could not be any congruence or the segment will go actually off the tangent. So this is what we have to understand. If you are making the workforce aware, if you are making all the stakeholders of a particular labor welfare scheme actually aware of the nitty gritty and nuances of particular acts like this one, then you will see that the compliance is an automatic consequence of this. This is a positive reinforcement to the entire labor welfare measure.

And third, Economic competitiveness. Please note, we cannot keep on increasing the wage within the wage act. I've categorically tried to define what you mean by wage. If you keep on increasing the wage, take 10 seconds and think what would be the consequence.

If you keep on increasing wage on a regular basis without much thought going into it, what would be the consequence of that? You might have an economic problem altogether. The economy of the country would go down because you are not giving a rational thought. Too much of money is flowing into the system. We have already seen that we are trying to raise the average propensity to consume.

This means the income is put into the economy. There is more of inflation that is going to come. Already the country, already the economy is reigning under the influence of high inflation. If it adds on again to the inflation, this will be a challenge to the government of the day. So please note, the flip side of that is not that you need not increase the wage, but what should be the increase in wage?

It should be increased that should actually meet the needs of the worker or the employee without any hesitation. But it also should take care of the economic competitiveness the market is having, the economy of the nation is having. So please note, this is a fine balance the government of the day has to hit. The employers have to hit whereby they see that there is certain rationality associated with every increase. But that said, it should not be a case to exploit and tell the employees that your wages cannot be increased.

So please know there is a delicate balance. So when you look into challenge. challenges, there are also opportunities. There are opportunities to integrate the informal sector. There are opportunities to increase the compliance by increasing the awareness.

There are opportunities to be competitive in the economy. So this is what the class was all about. Thank you for listening to me patiently. We'll come with more details of this particular act in the next lecture. Till then, take care.

Bye-bye. Amen.