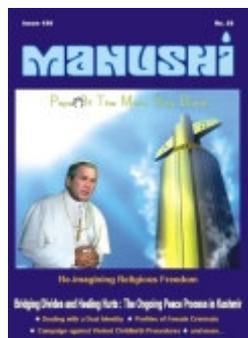


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## TOO LITTLE FOR TOO LONG

Minimum wage regulations continue to defy the very meaning of what the wage is for. The original premise - wages for people to live with minimum level of economic security, as well as dignity - is gone, its spirit lost in myriad variables that rise from states, sectors, bureaucracies and notifications. The weeks leading up to the Finance Minister's annual Budget speech in Parliament are always a time for discussion on economic issues and public policy.

This year too, we can anticipate plenty of discourse on the nation's GDP, growth rate numbers, planned infrastructure investments, tax breaks, and so on. Usually, these conversations have to do with the better half - or more accurately, the better-off 10% - of India, and perhaps as a result, they focus on implications of budget policies for companies and industries. On the other hand, personal incomes, especially those of the poor, receive far less attention. And what little talk there is of incomes is usually limited to those in the formal sector - organised, unionised workers as well as white collar people.

But a great multitude of our people work without adequate protections of laws and budgets at the base of the economic pyramid. What about their incomes? What is a decent monthly income that everyone in the informal economy too should be able to secure? And how far are we from that goal? What is our promise for those workers, who far outnumber the ones being counted on the pages of business dailies? This is a key economic issue that our discourse appears to be missing altogether.

### **A bare minimum**

A number of countries, India included, have legislated minimum wages in their statute books. The wages are usually prescribed on an hourly basis, although some laws mandate weekly or monthly minimum wages instead.

According to the Labour Bureau, the All India Consumer Price Index rose by over 5 times from 1982 to 2005.

Accounting for federalism, in many large countries there is a national minimum wage, while state/provincial and local governments are allowed to set their own wage levels by local statute, adjusted to prevailing conditions. Minimum wages are also usually prescribed regardless of profession; this is understandable, since they derive from an understanding that *all work* should be rewarded by a wage that affords a minimum level of economic security, as well as dignity. In many countries, also, periodically the minimum wages are revised to recognise inflation in costs.

India's minimum wage law, the Minimum Wages Act of 1948, recognised the argument for minimum protections, but has since fallen significantly behind. The law itself is now nearly 60 years old - a time during which inflation has raised costs several hundred percent - and does not set a specific minimum wage for all provisions, instead leaving it to the states to set occupation-specific wages. But, the states have largely had an anti-poor record in setting minimum wage levels; witness the massive variation in wages across the nation from Rs.25 a day - a ridiculously low figure - to a high of Rs.134, itself still questionable. While some revisions in specific areas have been made apart from this Act, there has been no revision of this law on an all-encompassing scale.

Who suffers the most, as a result? More than their counterparts in the organised workforce, unorganised workers have borne the brunt of such neglect. Organised workers have functional protections, especially in the form of collective bargains by unions representing them, and are therefore not as much at the mercy of pitiful wages. Moreover, unorganised workers are employed with millions of employers - - virtually every small trade, enterprise, sole proprietor or household - who cannot be gathered easily under the ambit of a law.

This diversity in the locations and nature of their work has left them vulnerable to exploitation in the absence of a broad legal standard. As a result their wages have long since failed to keep pace with rising costs, and continue to diminish in real value over time.

We must also dwell here upon enforcement, since any *legal* minimum wage would depend critically on this. If employers are not penalised for violations of the law, then no meaningful advantage for workers can be derived from setting even a high standard. Poor enforcement continues to plague many aspects of law in India - we recently reported on the massive undercounting of child labourers, for example - and this is a separate *administrative* arena that needs tackling.

Meanwhile, look at the numbers. There is enough evidence to indicate that minimum expenditures for a family of parents and children living in the slums may run to around Rs.5000-6000 per month. And going by original minimum wage levels set years ago and extrapolated to current costs of living, Kathyayini Chamaraj reported in a recent article on India Together that Rs.215 per day would be a decent minimum wage.

But a classic example of state governments' indifference to the working poor is that the Government of Karnataka has set the minimum wage for domestic workers to be a paltry Rs.1600 per month. At that rate, a person would need two jobs to make ends meet, even if one other person in her household was also employed at minimum wages! Nothing can be more unjust than these low levels.

Up to a fifth of monthly expenses for unorganised workers is for the schooling of their children, although free and compulsory education is the law! Additional expenditure is also incurred on health care, although some of this too is theoretically available from the State either free or at low cost, but in practice remains inaccessible.

Some economists argue that wage increases will help the economy; the poor themselves will be spending more, and thereby offset the impact of higher costs. Other economists prefer that the minimum wage be discovered by the market itself, so that each profession's wage truly reflects the 'value' placed on it by employers and consumers. They argue that a defined minimum wage would not account for the variations in value placed on many kinds of work.

This may be true, but even many 'market-friendly' countries recognise that a floor must be set for all wages to protect citizens against exploitative labour.

This must especially be the case in deeply hierarchical

societies such as ours, where value for wage work is more often not determined by ultimate worth, but by caste and colour. Any market-based determination of wages can and must happen *above* the legal floor. In fact, for all the talk about a 21st century India going in a direction where governments encourage progress through legitimate market forces, our legally determined wage levels are neither human, nor enforced, nor in the spirit of what goes for workable regulation in a "modernising" market economy.

Other skeptics and consequentialists will argue that hiking the minimum wage levels any higher will drive wage labour further underground, and only result in more corruption. But this otherwise well-made point needs to be addressed by spirited enforcement, and not in throwing our hands up and backing away from decent wage levels themselves. If anything, by setting wages so low, our governments have continually legitimated exploitation, which is worse than embracing the difficulties of enforcing a progressive law head on.

### **Raise the bar**

Why do our governments set minimum wages so low? The reality is political. If every employer of unskilled or low-skilled manual labourers was forced to pay Rs.215 per day per worker, it would have a clear impact on costs in the economy. Employers who have calculated low and illegal costs into their hiring may find themselves unable to afford the workers they now employ. For businesses that cannot make do without such workers, any revision in wages would amount to a rise in costs that is bound to push up prices and hurt immediate profits. Similarly, employers of domestic workers might be forced to consider their lifestyle choices, being suddenly unable to afford the luxuries that are now funded by subsidies from the working poor to richer paymasters.

Our governments know all this, and have always acted to protect politically more powerful classes, by setting the *minimum possible wages* convenient to different sectors of employers. Indeed, as readers will likely note by now, our governments themselves are employers of workers; they expend money on various projects partly as wages, and not surprisingly they act like most private employers do, trying to cut costs by keeping wages low. Most budgeting for public works for example, assumes the abysmally low levels of current minimum wages.

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