

BACKGROUND

Wages in Ancient India

During pre-Vedic and Vedic age, especially during *Rigveda* and till the days of *Mahabharata* and *Ramayana*, wages were paid to the artisans and craftsmen in kind by the local kings or the village guilds. Money wages in the form of the present-day practice was quite unknown until money was invented as a medium of exchange. A sort of barter system prevailed during the period of *Mahabharata*.

Probably, the first authoritative reference to wages one might get in ancient India is from Kautilya's '*Arthashastra*' and '*Nitisara*' by Shukracharya. During the tenth century AD, '*Nitisara*' gave a description of Indian polity, especially organisation of the Central Government, town and village life, particularly the village *panchayat*.

The *panchayat* members were elected and had executive-judicial powers who collected taxes, distributed land, paid wages to the workers and also paid the governments' share on behalf of the village. In larger towns there were varieties of artisans, merchants; craft guilds, merchantile associations and Banking Corporation, and each of them had its own wage payment systems.

The information relating to wages was, however, fragmentary in '*Nitisara*'. But it was evident from other sources like inscriptions, that the system of self-government in towns and villages was very strong and effective; and the kings and their council of ministers of the top seldom interfered with economic and social activities of the elected bodies.

During the 4th century BC Kautilya's *Arthashastra* gave us more details about the statecraft and polity of ancient India which was principally an agricultural civilisation based on village self-government.

According to the Jatakas, ancient India, even before 4th century BC appeared to be a highly civilized society where trade associations, craft guilds and trade unions were formed to safeguard the interest of all types of workers of different skills.

Labour Law Reforms

India inherited its labour laws and practices from British Rule. However, the speed of making changes in the labour laws was very slow till liberalization touched Indian boundaries in 1991. After the liberalization efforts, India scaled high and now it is set to become USD 5 trillion economy. Labour reforms were always on the key agenda of every Government. Now in line with overall vision of making India a hub of manufacturing base, existing Government has embarked upon the rephrasing and replacing almost the entire set of Central labour legislations by 2022.

The Labour Laws in India before the 1970s were framed mainly to cater to the Manufacturing Sector and do not address the problems of the fast growing Service Sector of the Millennium which today accounts for about 55 per cent of our GDP. The current labour laws relating to wages protect about 40% of the organised workforce by many outdated and inflexible provisions which seriously hamper the employment generating capacity of the organised sector. Most of the 10-12 million youth joining labour force each year are forced to join the informal unorganised sector where both the working conditions and wages are poor.

The 2nd National Commission on Labour (NCL) set-up in 1999 suggested rationalization of existing laws relating to Labour in organized sector and an umbrella legislation for ensuring a minimum level of protection to workers in unorganized sector. The NCL which submitted its report in June 2002 had recommended that the existing Labour laws should be broadly amalgamated into the following groups:

1. Industrial relations
2. Wages
3. Social Security
4. Occupational Safety, Health and Working Conditions

Expert Committee on National Minimum Wage

In January 2019, the Expert Committee on Determining the Methodology for Fixing the National Minimum Wage in its Report recommended the following:

- The existing norms for fixing minimum wages should be updated in the light of the latest available evidence relating to per household

consumption units, food and nutritional requirements, changing consumption pattern and non-food expenditure requirements.

- Recognizing the changes in the population composition over time, the Committee recommended increasing the previously established three consumption units per worker's family to 3.6 consumption units in order to calculate the minimum wage.
- Considering the overall framework and guiding principles of the Indian Labour Conference (ILC) of 1957 and the Supreme Court (SC) judgment of 1992 in the case of *Workmen v. Reptakos Brett & Co.*, the Committee recommended that the national minimum wage (NMW) should be able to meet a working family's minimum required expenditure on food and non-food, which should be adequate to preserve the efficiency of workers at their job and the health of their families.
- The minimum required food expenditure should be sufficient to ensure that workers and their families are able to meet their minimum nutritional requirements. The Committee recommended elaborating a nationally representative and culturally palatable food basket, by adopting an approach that would focus on a balanced diet rather than merely its calorie intake. This approach should not only concentrate on the minimum requirement of calories but also on the minimum requirement of protein and fats.
- Recognizing that there have been changes in the population's level of activity, implying a reduction in the proportion of workers engaged in heavy work and an increase in the number of workers in moderate and sedentary occupations, the Committee recommended setting the minimum wage at a level that would allow for a minimum recommended intake (per adult person per day) of 2,400 calories, 50 grams of protein and 30 grams of fats.
- The Committee recommended using the unit values (implicit prices) of food items available through the Consumer Expenditure Surveys (CES) of the National Sample Survey Office (NSSO) for calculating the total food expenditure of households and setting the base level minimum wage. However, in between the NSSO surveys, there should be an intermediate adjustment to accommodate changes in prices at least in every six months, on the basis of the CPI made available by the CSO.

- For estimating the required expenditure on non-food items, the Committee complies with the ILC of 1957 and SC judgment of 1992 norms and identifies two groups of commodities: i) essential non-food items, namely clothing, fuel and light, house rent, education, medical, footwear, and transport (or conveyance); and ii) other non-food items, (such as entertainment, durable goods, toilet articles, other household consumables, consumer services excluding conveyance, and consumer taxes. The Committee recommended that the required expenditure of essential non-food items be equal to the median class of the expenditure distribution, and that of the other non-food items be equal to the expenditure for the sixth fractile (25-30 per cent) of the distribution in the NSSO-CES 2011/12 survey data.
- On the basis of this approach, the Committee is of the considered view that the single value of the NMW for India should be set at Rs. 375 per day as of July 2018. This would be equivalent to Rs. 9,750 per month, irrespective of sectors, skills, occupations and rural-urban locations.
- Alternatively, the Committee recommended the NMW for five different regions with diverse socio-economic and labour market situations. Four of these five regions may be constituted by using varied socioeconomic and labour market factors, while the fifth group may include all north-eastern States except Assam. A regional NMW calculated in this matter would have the potential to address varying economic situations in different States.
- For estimating the NMW at the regional level, the Committee recommended using the nationally representative food basket for all regions instead of estimating and using regional representative food baskets for each of the five regions. This will help dissociate the consumption pattern from the level of poverty and ability to pay in a region, while maintaining the palatability of the food basket. However, the Committee recommends using the regional average unit price of each food item to arrive at the total minimum consumption expenditure required for households. The required expenditure for non-food items – both essential and other – will be estimated separately for each region. Following the above approach, the Committee recommends that NMW per day (per month) for Region I, Region II, Region III, Region IV and Region

V should be set at Rs. 342 (Rs.8,892); Rs.380 (Rs.9,880); Rs. 414 (Rs.10,764), Rs.447 (Rs.11,622) and Rs.386 (Rs.10,036), respectively, as of July 2018, irrespective of sectors, skills, occupations and rural-urban locations.

- As house rent accounts for a significant proportion of the overall non-food component, the Committee recommends an additional house rent allowance, averaging up to Rs.55 per day i.e., Rs.1,430 per month for urban workers over and above the NMW. However, this - city compensatory rent allowance may be allowed to vary in accordance with the type of city and town. The Committee recommended that a separate study should be undertaken to determine the city compensatory rent allowance by type of city and town.
- The Committee recommended that minimum wages be fixed at round numbers, which are much easier to disseminate. This will also facilitate the minimum wage enforcement process.
- The estimated single value of the NMW, or its different value at the regional levels proposed by this Committee, only accounts for the expenditure required to meet the basic level of needs (food and non-food expenditure) of workers and their families. In no way does it reflect any link with the paying capacity of employers, labour productivity and other similar economic criteria. As recommended by the ILC in 1957 and the SC 1992 judgment, the NMW just meets the criteria for maintaining the work efficiency of workers and the healthy living of their families.
- The Committee recommended that the period during which the minimum proposed wages are implemented, and the terms under which they are applied, should be defined through a full consultation process with the stakeholders.
- Since the level of minimum wages is inextricably tied to the consumption basket, and consumption patterns may change over time, the Committee recommended that an expert committee review the consumption basket every five years, subject to the availability of NSSO-CES data. However, as stated earlier, the Committee recommended that, during the interval period, the basic minimum wage should be revised and at least updated in line with the CPI every six months, to reflect changes in the cost of living.

- The Committee acknowledges that referring to the CPI to ascertain the changes in the cost of living will ensure that the purchasing power of the minimum wage will not deteriorate. The Committee suggests that if the country's economic realities are factored into the minimum wage, any adjustments should take into account inflation and productivity. The Committee recommended that further research is required to arrive at any productivity-linked revisions.
- The Committee recommended the creation of a research unit in the Ministry of Labour and Employment to support the Central Advisory Board and State Advisory Boards at the time of formulating recommendations to set and adjust minimum wages. This research unit should provide information, evidence based studies and minimum wage impact analyses to pave the way for the discussion on the revision and adjustment of the minimum wage level.
- The Committee recommended adhering to the provisions of the ILO Minimum Wage Fixing Convention, 1970 (No.131) to address the design and operation of the Indian minimum wage system.
- The Committee recognizes the need for measures to be put in place to ensure the effective application of all provisions relating to minimum wages. Once the national or regional minimum wages have been fixed, the Committee recommended that a minimum wage campaign be launched with awareness-raising activities and information dissemination strategies at the national and subnational levels. Other measures might include capacity-building activities and the use of technology, inter alia, to better enforce compliance with minimum wage payments.

In a market driven economy like India with rising inflation and competition especially from online marketing platforms, employers are under constant pressure to cut costs and resort to most competitive pricing and delivery systems to suit the consumers. This is only possible by periodic restructuring, adoption of technology for mass production so that India can avoid losing investments to its neighboring countries.

India is currently ranked 63rd on 'Ease of Doing Business Rankings, 2020' issued by the World Bank. Further, India's ranking, on labour index, stands at 128th as per the Global Competitiveness Report 2019 issued by World Economic Forum. Therefore, in order to improve its ranking further, attract

more foreign investment, augment domestic capital in order to make India a truly manufacturing hub as envisaged in 'Make in India' scheme, there is an urgent need to create a conducive environment that can facilitate and nurture industrial and manufacturing set-up(s). To achieve this, it is necessary to reform and replace, on top priority basis, old and archaic labour laws, which are often considered to be one of the key bottlenecks in making India a manufacturing power house in the global map. India is witnessing the much awaited reforms in the Labour Law regime.

In India, the law relating to employees/workmen has always been a complex subject due to various factors whether due to its archaic laws, multiplicity of laws/regulatory authorities, Central vs. States legislation and so on. One of the key factors to remember is that labour laws are part of the concurrent list and accordingly both the Central and the State governments can legislate wherever they feel need for the same. However, instead of bringing clarity, this has created confusion due to overlapping and multiplication. Central Government has passed more than fifty laws till date pertaining to labour and related aspects while various State governments have also passed more than one hundred and fifty laws on similar or the same subject. Secondly, not only the State and Central laws clash on the same subject and create confusion but even in Central laws also, a single subject has been placed under multiple laws. For instance, the maternity benefits aspect has been provided in more than four legislations. Wages definitions also have been provided in various Acts leading to varying interpretations. Lastly, some of these laws are too old, archaic and not in line with current economic and industrial requirement. Therefore, consolidation and codification of the entire set of labour laws is the urgent need of India and its manufacturing industry in order to scale up further and put its footprint in global manufacturing base.

The Central Government with a view to facilitate ease of doing business, generate employment and safeguarding interest of workers and employers, has taken various legislative, administrative and e-governance initiatives relating to Labour Laws in India. One of such major initiative is to enact four (4) Labour Codes by simplifying, amalgamating and rationalising the relevant provisions of the existing Central Labour Laws. The four Labour Codes are as under:

1. The Code on Wages, 2019
2. The Occupational Safety, Health and Working Conditions Code, 2020

3. The Industrial Relations Code, 2020

4. The Code on Social Security, 2020

The legislative developments related to these Codes and existing labour laws to be repealed are mentioned below:

The Code on Wages, 2019	The Occupational Safety, Health and Working Conditions Code, 2020	The Industrial Relations Code, 2020	The Code on Social Security, 2020
<p>The Code on Wages Bill was first introduced in the Lok Sabha on 10th August, 2017 and referred to the Parliamentary Standing Committee on Labour.</p> <p>However, the bill lapsed on dissolution of the 16th Lok Sabha. The Code on Wages, 2019 was introduced in Lok Sabha on 23rd July, 2019. Code on Wages, 2019 was passed by Lok Sabha on 30th July, 2019, Rajya Sabha on 2nd August, 2019 and received the assent of the President on 8th August, 2019.</p>	<p>The Occupational Safety, Health and Working Conditions Code, 2019 was introduced in the Lok Sabha on July 23, 2019. The Code was referred to Parliamentary Standing Committee on Labour. The report of the Standing Committee was placed before both the Houses of the Parliament on February 11, 2020.</p> <p>The Bill was reintroduced as The Occupational Safety, Health and Working Conditions Code, 2020 in the Parliament and has been passed by the Lok Sabha on 22nd September, 2020, Rajya Sabha on</p>	<p>The Industrial Relations Code, 2019 was introduced in the Lok Sabha on November 28, 2019. The Code was referred to Parliamentary Standing Committee on Labour. The report of the Standing Committee was placed before both the Houses of the Parliament on September 15, 2020.</p> <p>The Bill was reintroduced as The Industrial Relations Code, 2020 in the Parliament and has been passed by the Lok Sabha on 22nd September, 2020, Rajya Sabha on 23rd September, 2020 and received the assent of the President on 28th September, 2020.</p>	<p>The Code on Social Security, 2019 was introduced in the Lok Sabha on December 11, 2019. The Code was referred to Parliamentary Standing Committee on Labour. The report of the Standing Committee was placed before both the Houses of the Parliament on September 15, 2020.</p> <p>The Bill was reintroduced as The Code on Social Security, 2020 in the Parliament and has been passed by the Lok Sabha on 22nd September, 2020, Rajya Sabha on 23rd September, 2020</p>