Report on the Policy Debate

A Panel Discussion on Minimum Wages

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A panel discussion on Minimum Wages was jointly organised by IHD-CEBRAP under the auspices of the IDRC-funded Research Project on Labour Market Inequality in Brazil and India. The panel was chaired by Prof. T.C.A. Anant, Chief Statistician and Secretary, Ministry of Statistics and Programme Implementation, Government of India. It was jointly coordinated by Gerry Rodgers, Visiting Professor, IHD and Dr. Uma A. Rani, Senior Economist, ILO, Geneva. The panelists for this session were Prof. M. C. Cacciamali, University of Sao Paulo, Brazil; Prof. Alexandre Barbosa, University of Sao Paulo, Brazil; Dr. P. P. Mitra, Principal Labour and Employment Advisor, MoL&E, GoI; Mr Gautam Mody, General Secretary, New Trade Union Initiative; Prof. Jeemol Unni, Director and Professor of Economics, Institute of Rural Management Anand and Dr. Arjan De Haan, Program Leader, Supporting Inclusive Growth, International Development Research Centre, Canada. Prof. Cacciamali and Prof. Barbosa had prepared a joint video presentation; however, unfortunately due to technical problems, the sound of the video presentation could not be adequately heard by participants. Prof. Rodgers therefore summarized the presentations of Professors Cacciamali and Barbosa for the case of Brazil. A policy review of minimum wages had also been conducted under the project, and a working paper was made available to participants.

The main presentation for the panel was provided by Dr. Rani who presented some of the key findings from the working paper published under the LMI project along with some of her own simulations on the issues of coverage and compliance of minimum wages, particularly in India, along with an international comparison.

She started her presentation by pointing out the importance of minimum wages as an important labour market policy and spoke of the various issues related to the minimum wage policy. Although her presentation looked at both India and Brazil, the major thrust of her presentation was on the situation in India. She briefly outlined the structure of minimum wage policy in India and Brazil and pointed out that unlike Brazil which has a single rate of minimum wages applicable for all; India has complicated system of multiple minimum wage rates which are not binding. Thus there is a need for having a simple and binding system of minimum wages in India to improve its compliance and enforcement. She pointed out that several researchers have argued for having a 'daily minimum wage' at the national level. She further added that with rising wage inequality, the introduction of a legal minimum wage has become an important policy issue in many countries. There is wide agreement that earnings of people working full-time should be sufficient to cover at least the basic minimum. She added that recent research shows that minimum wages can contribute to the reduction of poverty and inequality by increasing the incomes of those covered by the legislation, with little or no adverse effects on employment.

With the help of examples from different minimum wage systems across the world like in Vietnam, Indonesia, South Africa, Philippines and Latin America, she pointed out that minimum wages are important for addressing the issues of poverty and inequality and many countries both in advanced and developing economies are getting back to setting their minimum wages or revising their minimum wages. She added that across all these countries, the coverage of minimum wages roughly ranges between 55 to 85 per cent among all wage workers with further variations among regular and casual workers. On the basis of these examples, she categorized minimum wage systems across the world into 3 categories – firstly, some countries have a simple national or minimum wage like Brazil, Philippines, Turkey or Vietnam with universal coverage; within such systems we also find examples of countries like Mali with a separate minimum wage for domestic workers. The second category consists of complex hybrid systems with national minimum wages and certain exclusions like in Peru, Costa Rica, Indonesia, Mexico where wages are categorized at occupational, sectoral and industrial level. And finally there is a third category with a partial system of minimum wages that apply only to selected industries or occupations like in India and South Africa, which in turn gives rise to significant exclusion of workers and becomes difficult to implement. Thus depending upon the system the legal coverage varies across countries.

She then went on to outline the system of minimum wages in India, which has a non-binding national minimum wage with multiple rates of minimum wages. With both central and state governments having the authority to set minimum wages in accordance to the schedules listed under the Minimum Wages Act of 1948, the central government fixes for 48 different categories and the state government fixes wages for 1,679 job categories, thus this gives rise to large number of minimum wages. Another issue related to the complexity of minimum wages system in India is the issue of awareness among workers and employers. A study undertaken in the stone-breaking industry in Karnataka (2007), shows that only 30 per cent of employers are aware of minimum wages and 27 per cent are aware of industry specific minimum wages; further, only 8 per cent of workers are aware of minimum wages and only 18 per cent of workers were aware about inspections of minimum wages. Thus, she argued that given these conditions, having a national minimum wage would make it easier to implement and thereby improve compliance and enforcement. She pointed out that despite these complexities, about 70 per cent of workers in rural and 60 per cent of workers in urban areas are covered and approximately 65 per cent of males which further varies across industries like in agriculture we have 93 per cent to construction which has about 35 per cent and 65 per cent formal and 73 per cent informal workers are covered. The second issue she raised is the system of revising minimum wages which is mostly done through two methods - committee method and notification method. The appropriate government sets up committees and sub-committees to hold enquiries and make recommendations with regard to fixation and revision of minimum wages. But there are no specific criteria for fixing minimum wages; thus there is a lack of clarity with regard to concepts, norms and parameters of wage fixation at state level. Also there are no clear indications as to what extent the economic conditions have been taken into consideration.

One of the important issues discussed was how relevant is the minimum wage at the level at which it is fixed. The work undertaken in the IHD/Cebrap project suggests that irrespective of whether you take the casual or the regular workers, the minimum wages fixed, at both the minimum or maximum levels, are much less than the prevailing market wages; whereas for casual workers, there has been some improvement in 1999-2000. She pointed out that for national minimum wage to play an important role in the labour market, it has to be fixed at such a rate that is meaningful for the workers and in turn helps in eradication of poverty and inequality; but this is not how it plays out in the actual situation.

She then looked at the compliance rate of minimum wages for workers, at the low level in which they are fixed, who are legally covered under the minimum wages. Her study shows that 32 per cent in 2004-05 and 61 per cent in 2009-10 actually get minimum wages. She further added that if looked across sectors between regular and casual workers, then regular workers obviously have greater compliance than casual workers; when seen across regions, the compliance is much less in rural areas; when seen across gender, it is much less among women workers. She finds that in 2009-10, a larger number of women workers had received the minimum wage. At this point she explained that despite all the criticisms hurled at NREGA, it has helped in implementation of state-level minimum wages and consequently has led to improved awareness and compliance and in turn has given rise to an increase in average wages, much higher than the minimum wages. Thus, we find that the compliance has increased in rural areas and especially among women. She also added that while NREGA led to setting a minimum level of wages, at that same time there was a rise in general wage levels in the economy which together had a positive impact on the wage levels. Taking the low minimum wage levels of 2004-05, she showed the potential impact on poverty, inequality and employment, assuming full coverage and perfect compliance. Her study shows that in such a situation, the inequality in rural areas comes down by 8 per cent, overall by 10 per cent and among sectors, agriculture and service sectors have major advantage which shows that these sectors otherwise have lower compliance. Thus with a definite minimum wages and proper compliance, inequality and poverty can be greatly reduced. She concluded that given her findings, minimum wage alone cannot solve the macroeconomic problems but should be combined with other policies to make a comprehensive package of policies which will together address issues of poverty and inequality. The biggest challenge she argued is of ensuring that minimum wages are made binding for all workers. Another challenge is with regard to the method of fixation which should be in consultation with social partners which offers real benefits to low-paid workers, while avoiding unnecessary risks to enterprises and jobs. The final challenge is with regard to the kind of enforcement strategy that should be adopted to improve enforcement and compliance, which can draw from other global experiences like that of Brazil.

Following Dr. Rani's presentation, Prof. Gerry Rodgers summarized the presentations that had been prepared by Professors Cacciamali and Barbosa from the University of Sao Paulo, but which could not be heard because of technical problems. He started by discussing the history of the minimum wage in Brazil before 1980. The system, he pointed out, came into existence in the 1940s, and supported capital accumulation by providing a well defined basis for the integration of workers into industrial employment. It was therefore an integral part of what we call the growth regime. The military dictatorship after 1964 changed the model. Under an authoritarian regime the minimum wage helped to prevent unskilled wages from rising – indeed real minimum wages fell – but higher wages rose as the industrial structure diversified, so inequality grew within the labour market. This was followed by a period of high inflation in the 1980s in which the minimum wage lost its real value and almost disappeared as an important social policy instrument. Minimum wages in Brazil has a lot of symbolic value and is a central policy instrument much more so than in India. After inflation was brought under control in the 1990s it gradually rose as an important policy instrument to recover real wages in the labour market. He pointed out that more importantly, minimum wages acted as a reference point as other social security instruments depended on it. Nobody can receive pension less than one minimum wage; all forms of social security payments are directly dependent on it and it thus plays an important role in economy which goes far beyond simply the labour market.

After the election of the Workers Party government in 2002, the new government took the minimum wages as a central policy instrument in economic package, they had relatively conventional macro-economic framework, but underneath that started using the minimum wage and a steady rise in minimum wage as a basis for redistribution. Inequality in Brazil was reduced significantly from late 1990s onwards and the research they are reporting suggest that 1/3rd of the reduction in inequality could be attributed to minimum wage. Basically, the Gini coefficient of income fell from 0.59 to 0.51 and of that approx 30 per cent could be attributed to cash transfers, social security programs and 35 per cent to minimum wage and approximately 35 per cent to other labour market policies. So the government in power from 2002 onwards used the minimum wage as an effective part of the package to deliberately try to reduce poverty, but they combine that with other measures connected with growth and formal employment, rather steady growth in formal employment in the Brazilian economy. The new government was brought to power with support from the trade union movement which also played an important role in overseeing and ensuring that minimum wages were effectively applied. The new government also introduced more effective programs of social transfers which together formed a package; minimum wages was a central part of that package.

He further added that an important innovation in 2006-2007 was to institutionalize the fixing of minimum wage. In Brazil there is a large central fund which is to support to workers activities and managed by government, workers and employers. Over some period this board was responsible for setting minimum wage but ten years ago this process was formalized or systemized with the level of minimum wage being directly related to last years' inflation and last years' growth rates of the Brazilian economy. Basically they have an automatic formula which increased the minimum wage not only by prices but also by economic growth. This mechanism has been now been place for some years. He further added the Brazilian economy experienced rapid growth which was built on growth of domestic demand. But the growth of economy after 2002 was based on various measures to increase household income and to increase domestic demand and minimum wages was part of it. By increasing income of lower-income workers they were able generate a rise in demand which could be fulfilled by the economy. So basically minimum wages played a role not only in labour market but also as a Keynesian macroeconomic tool which is an important part of the story.

After Prof. Rodgers's comments, the Chairperson, TCA Anant added that minimum wages plays multiple roles. He added that literature shows that it enhances efficiency and prevents a factory from reaching suboptimal equilibrium where even the employers prefer to pay minimum wages, because of improved efficiency, and in the absence of a coordinating wage, minimum wage can play a role of a coordinating mechanism. Thus these roles, he argued should be given emphasis in future analysis.

The next panelist for the session was Dr. P.P. Mitra who presented the government's view on minimum wages and on the issues raised by Dr. Rani in her presentation, namely on coverage, method of fixation and enforcement of minimum wages. On the issue of coverage, he supported the findings presented earlier in the panel that indicate that roughly 60 per cent of workers are actually covered under the minimum wages act. He further added that the issue of coverage has been discussed in various forums and the Central Advisory Board (CAB) has been deliberating on this issue of coverage. The government, he said, feels that a binding national minimum age is not possible because of regional differences, local conditions, the ability to pay and various other factors. But gradually as the question of a floor-level national minimum wage was being demanded, the government had a non-statutory national minimum wage in place, which is presently Rs 160 per day. This process started with the recommendation of the National Commission of Rural Labour (1991) which fixed it at Rs 20 per day (at that time) and gradually it has increased over the years. The question of such statutory level has always been discussed but if one has to make it universal then there is need for legislation. The legislation process has been going on for a long time through a tripartite mechanism, post discussions with employers, unions and the Ministry of Labour with recommendations being forwarded to the Commissions and Secretaries who have met several times but no decision has been arrived at. There has also been a study by the National Labour Institute on the impact of minimum wages which suggested that if a statutory minimum wage is implemented, the government sector will not be affected as the public sector would generally abide by the minimum wage; the private sector, however, would be much affected with high financial implications. Since, minimum wage is decided through a tripartite process, it becomes very difficult to arrive at a consensus; nonetheless, the legislative proposals seek to make the implementation universal. Hopefully the coverage question will be addressed once minimum wage is made universal.

The issue of fixation, Dr. Mitra argued, had a historical basis in the 15th Indian Labour Conference (1958) which fixed certain norms – 2700 calories, 72 square yards of cloth for three units in a household, provision of medical expenses and provision of education. Further, in 1992, Supreme Court through one of its judgments added entertainment allowance to these norms. But unfortunately, the Minimum Wages Act has left it to the notification or committee method which does not exactly lay down the norms but is instead left to a tripartite mechanism which naturally makes the consensus difficult and implementation problematic, as mentioned by Dr. Rani. Thus there is no demonstrative effect to show the possible impact of minimum wages had it been fully enforced and implemented. The government's own studies show that there has been an incremental impact of minimum wages in some states with an approximate 5 per cent rise in every 5 years along with a further dearness allowance for industrial workers.

On the question of enforcement, which he agreed was a major issue; he said that the government is now trying to enforce a new inspection mechanism. This new system would be done web-based where employers would declare their compliance on their own, but if there is a complaint by trade unions, then the inspection would take place with penalties; thus the system would also have both reliance on employers and at the same time would not do away with inspection. This would make the enforcement machinery more effective. He also acknowledged that point made earlier about lack of awareness and said that there is a need to improve awareness among workers, trade unions and employers; he also agreed that in reality, despite having awareness workers are unable to complain against non-compliance as they face the risk of losing their jobs. Thus he argued that the new system would help to solve these problems.

The next speaker was Mr. Gautam Mody who presented the trade union perspective on the issue. In response to Dr. Mitra's presentation, Mr Mody argued that both the central and state governments are fully aware of exactly how minimum wage violations take place. The present government, he added, is trying to roll back what the earlier government called 'inspection raj'; so the complaint-based or web-based inspections are all, to him, a farce. He stated that there are a few issues that the Indian Minimum wage system needs to learn – first, the basic framework of labour laws, whether it is minimum wage or anything else, celebrates itself with its lack of universality as everything has a threshold and has to be notified and so there are workers who are beyond the payroll. Thus if something has to be changed, he adds, it is the principle of universality and in the context of minimum wage, it has to be a principle of universality and the minimum wage must be linked to national pension and every value of social security and social protection.

At this point India only has one definite, though not bound by law, minimum wage which is for NREGA workers which has had a positive impact on wages – this is something he argues has been observed by trade unions in reality. Taking a leap of faith, he proposed to abolish the minimum wage if India can implement NREGA without leakages or loopholes; then he felt India will have a better minimum wage system. So he was willing to repeal the minimum wage, if government can guarantee the NREGA (later on he retreated from this position; see below). The minimum wage, he added, must be seen as a macroeconomic instrument; otherwise one can only fight poverty - on either sides of poverty line. A part of the problem of minimum wages in India is that it feeds into the lack of macroeconomic stability of the economy. If it has to go beyond that to be an instrument to increase effective demand, then the instrument of fixation has to be addressed as it cannot simply be inflation adjusted; in which case it will get relegated to being simply an anti-poverty instrument. Minimum wage must build in the efficiency of capital, the presupposition that capital will do what it wants and minimum wage must be set outside the return of capital, is something that he argues is not acceptable for an economy that is meant to grow. It is okay for economies of the Global North which potentially can survive at relatively low rates of growth. He further adds that fixation has to go beyond the 15th ILC and has to keep in mind the rise in cost of education and health care in a situation of absence of government providing adequate universal social policy instruments.

He added that it is important to note that as Brazil rolled out its minimum wage, it also rolled out extremely vibrant public health system. He also referred to the question of 'ability to pay' and said that the minimum wage, as opposed to other wages, is the wage below which no wage earner must fall and that cannot be based on the ability to pay. So he rhetorically put it that if employers cannot pay the minimum wage, then they should go out of business. Given that India has inefficient capital and erratic rates of return, there is a need to think out of the box and recognize that capital, like call centers, global firms, who say that they cannot sustain if minimum wages are raised and say that it reduces their margins, will not be able to pay minimum wages if it is raised beyond the consumer price index. So there is a need for state intervention, which should not be limited to subsidized land and tax breaks but should perhaps enforce higher cost of land and fewer tax breaks, but instead offer wage subsidy – of say three years to any business that cannot pay minimum wages through cash transfers and ensure that minimum wages are paid; also put in place rules that post three years, if firm does not have the capacity, then it does not deserve to remain in business.

On the question of binding wages, he says that to his understanding, it is binding for all engaged in scheduled employments and the Supreme Court defines this violation as a tantamount to conditions of bonded labour and slavery; so he adds that to say it is non-statutory or non-binding is not correct. So minimum wage is binding for certain types of employment and the question of implementability lies in one universal minimum wages; there cannot be separate minimum wages for carpenters and tailors, provided we accept that it is a level below which no one has to work. This however has to be done keeping in mind the price levels in different parts of the country as some parts like the metropolitan cities are way more expensive than in other parts of the country – so there has to be variations across regions, but there has to be a principle for fixation. Currently there is process of collective bargaining in place which is not transparent and the government notifies wages on arbitrary basis without employing any formula; in most states minimum wages are not revised except for inflation. So there is a need to unbundle the box, so to speak, to combine the 15^{th} ILC along with the retrospect and wage shares. The current wages does not account for Rs 25 spent by a worker per month on mobile phones, even though we pride ourselves on having millions of mobile phone users – so if mobile phones are a necessity, the minimum wage must provide for it. In conclusion he said that if we agreed that it cannot be determined by ability to pay and that it is a wage below which no one must fall, then non-payment of minimum wage in his opinion must be a cognizable offence as by the very definition, it amounts to an attack on the right to life and finally he argued that if people are making money on the backs of people who are living below sustenance, then it also leads to a moral problem in society.

After Mr. Mody's comments, the Chairperson made an observation that minimum wages should not be looked at purely from a negative side. He recalled one of his earlier studies in which he looked at many years earlier, there has been much change in the situation then and now; yet, he notes that the Act and its schedules remain the same. The most important improvement has been the periodicity of revision and the timing of its revision – although it is still not as fast as for organized employments, but it's much faster than what it used to be earlier – so there has been progress.

The next panelist was Prof. Jeemol Unni whose comments were drawn from some of her previous studies on the informal sector workers in Ahmadabad. She started by saying that while in a perfectly competitive market with complete enforcement, minimum wages will reduce employment. However, in a biased market minimum wages with perfect enforcement can increase wages up to a point and then it decreases – so one gets an inverted u-shaped curve. There are very few empirical tests that support this, however a paper by Vidhya Soundararajan, Phd Scholar from Cornell University, supports this argument. It is often argued that a well enforced minimum wage could increase productivity through various mechanisms like training or through macroeconomic means. A group of economists associated with Wiego – from Cornell University, India and South Africa – studied informal workers (in India it was done in Ahmedabad) across various industries over few days and debated various issues, one of them being issue of minimum wages and the lack of enforcement. One groups visited construction workers in Ahmedabad and observed low collective bargaining activity and felt that there was need to increase productivity. They also observed the 'naka' system of contract workers (where workers are picked up every day for casual work from street corners) who shift between one work site to another and do not have a continued interest in that activity or industry and so their productivity remained very low. When the construction contractors were spoken to, they were not very keen on concepts of efficiency wages and instead preferred contracts linked with the quantum of work that had to be completed for the day which they felt helped in maintaining productivity levels while wages too remained the same.

Four years later, the same group of economists returned back to the same households and workers. By this time the economy had grown and wages had risen but what they found was that by this time migrant workers had also entered the market who were willing to work at wages less than the minimum. So while the workers in question stuck to the minimum wage, the number of days of employment received had reduced; so overall they were worse-off and were living of debts. It also seemed that the 'naka' model was close to perfect competition as there were a lot of employers and workers and perfect wage ratios but despite that wages remained stagnant and did not drop below the earlier levels. One possible explanation was that there was a reservation wage and also because there were some institutional rigidities, like men were not willing to work less than a little over wage and same was true for women who were not willing to work at wages less than the minimum; the employers too were not the standard, rational profit maximizers and the contractors had no intention of reducing the wage costs. Also there was a value-chain in that industry which governed the levels of wages – so it was not really negotiated but were fixed by the industry depending on its position in the value chain.

After four more years when the same groups of workers were revisited, the reservation wage for migrants had reduced and the local workers were not willing to work at less than minimum wages and the employers exploited the workers to the maximum. So while the reservation wage for migrant workers decreased, the local workers received less days of employment. The question that thus arose is that why do workers not leave the industry – it is possibly because they have built up a scale of wages and that they have remained long enough in the industry to understand the conditions in the industry and they had developed strong identities with the construction industry as workers.

The third case she presented was of piece-rate wages which was based on discussions had among trade economists, unions and employers with labour secretaries for deciding wages for kite workers and for setting up a provident fund for *beedi* workers. While the economists argued that a rise in wages would harm employment levels, they found that unions were not arguing for enforcing minimum wages, they were arguing for a range of minimum wages which were just below the minimum wage and they were using the minimum wage as an aspirational wage. This thus supports the demand for having a national minimum wage which can then be used as a negotiating tool in case it is not fully enforced. Also on the issue of provident funds, the unions did not want a separate fund but rather wanted it to be added to the wage, something similar, she adds, is followed in her own institute. She further added that unions argued that for *beedi* workers employment did not vary depending on minimum wages, but were affected by other factors like taxes on tobacco and anti-smoking campaigns. Referring to an observation made by a popular economist, Prof. Unni argued that at that time there were mainly three main *beedi* producers in the market who had three different sets of wages and so if any employer reduced minimum wage and had felt changes in employment levels or opted for mechanization, then given the high competition, the other employers would be affected so they would then have to adopt similar policies to avoid losing the market; hence it would take away the comparative advantage. Thus, these factors together helped in maintaining a common wage level in the *beedi* industry. Thus the economist argued in favour of having a high minimum income than a minimum wage, unless there was complete enforcement; but in its absence a minimum income was more important.

The final panelist for the session was Arjan de Haan from IDRC. He started by saying that every time we talk about any case or any country of minimum wage, a different story comes out. He added that IDRC funds comparative research to enable learning from other countries' experiences which can then be used for one's own gain given their own local experiences. This is something visible across countries where Germans learn from English experiences or countries try to learn from China. It is about learning how in other countries similar issues are being addressed. On the issue of compliance discussed earlier in the panel, he says that a study in China shows more and more compliance with minimum wages where states increase minimum wages to compete for labour. This can be termed compliance but to him it does not mean the same thing. Most of the cases presented showed that the level of compliance increased as average wages increased - thus there is a need to look at it from the rights based perspective. He added that the hypothesis presented was that everything that was successful with regard to minimum wages was because of a package of other factors like NREGA in India or in Brazil it was because of the formalization process; this is an important point to consider also for analyzing its potential impact as a macroeconomic policy. The presence of a minimum wage has a lot of symbolic value as it can be helpful for negotiations and for broader social contract; thus non-compliance as Mr. Mody argued, puts the basic morality of society at stake. There is also a risk of under-valuing minimum wage in India as it is not just an economic function but is also linked with the service provided and value of labour across societies. At the end, the research project shows that minimum wage can be of great importance and establishes its relevance.

This was followed by comments and discussions by the audience. Prof. K. P. Kannan said that minimum wages in India is not a floor wage as it is determined by a tripartite mechanism for different occupations and industries which are greatly varied. Thus there is a plethora of minimum wages where both the capacity of pay and the cost of living have been taken into account which is put into negotiations. The concept of a floor wage was much discussed in the NCEUS Reports which noted that violations were taking place across industries and occupation where the national minimum wage acted as a floor level wage which has both an economic and social relevance as it is the floor below which no one should be allowed to work; this is also supported by the Supreme Court judgment which considers it to be a form of bonded labour. In his view there are several problems in the process of revision and implementation of minimum wages as there is only a notional national minimum wage. So the ultimate question in his opinion is if the country would subscribe to a national floor-level wage and the notion of minimum wages in different industries, which will then have implications on poverty. Many advanced countries continue to preserve the notion of minimum wage and enforce it and work towards enhancing it periodically. He added that minimum wage can have implications on affecting demand for a whole range of people who constitute the majority of the population which thus affects aggregate consumption and demand. Thus minimum wage in this country is a political issue.

Another commentator also said that minimum wage is not just an economic issue but also a political issue. In each state, every industry has its own minimum wages, so there are multiple rates which are only implemented if there is sufficient political pressure which has to be backed by union pressure. Secondly, he added that minimum wage must be seen along with other laws, as non-payment can lead to conditions of bonded labour, which has a separate acts assigned to it. So the ministries should see the Minimum Wage Act along with other labour laws. Further, he added that it should be seen along with the issue of land reforms as most of workers receiving less than minimum levels are landless; this is because land reforms were weakly implemented so unless there is a convergence with other policies, the fixing of minimum wage alone will not solve the problem.

The next comment was made by Prof. Ravi Srivastava who also emphasized on the political side of minimum wages. He recalled that during his work with the NCEUS he had worked on a report called the Nationally Legislated Minimum Wage, following the principles highlighted by Gautam Mody, which received much criticism as some felt that it would adversely impact the mindsets of Indian businesses. Subsequently they prepared another report which was presented to the Prime Minister who was very angry that they delved in to the issue of social security and wanted to make it a right; but more importantly he said that legislating on minimum wages would make labour markets rigid and deny many unemployed. This shows the political attitude towards the concept of minimum wages which remains true even now. So he argues that minimum wages is a political agenda and although the issue has progressed to some extent, there is need to further build on it through more political pressures. On the question of enforcement, he said that the NCEUS report had provided recommendations for implementation, after consultations with unions, NGOs and hundreds of workers, which said that it should be based on minimum wages and other labour laws through a tripartite mechanism which was doable. Further, on the issue of self-certification it found that in six states, employers were deterred by this clause as it complicated the process even more for them and it was easier for them to avoid paying minimum wages by the normal procedures; so they don't want this process. He concluded by saying that minimum wage is being used as an weapon against collective bargaining; so in various industries, employers and the government claim to pay minimum wages while the problems in determining minimum wage are well-known. In most states, the tripartite mechanism has fallen apart and there are three or four minimum wages which are followed across the board without any principle. The payment of wages is totally delinked from productivity and profits from industry; so the believers of minimum wages have to also bargain for collective bargaining,

Prof. Gita Sen commented, from her observations of the IT industry in Bangalore, that the claim made by IT industries of incapacity to pay, as pointed out by Gautam Mody, has nothing to do with minimum wage. It is a typical use of labour as the flexible cost to be shrunk when you can't sell your products which is related to the financial crisis and the limping demand of this industry. She added that it was sad to see the IT industry which is generally seen as a relatively progressive industry to be making such a comment. She also commented on what it is it that makes minimum wage enforceable as compliance coexists with enforcement. She argued that enforcement is linked to role of other factors like NREGA in the Indian context which needs to be looked in greater detail. In her opinion, there are ways to enforce, one is by setting a legal norm and then trying to pull wage up to that norm. The public sector can set a norm which functions more as an institutional norm, provided the sector is large enough and employs enough people to spill over to wider labour market; such a situation does not exist and may in fact create some sort of an aristocracy. The other method is the push from below which is what is happening with NREGA in India – it is not the public sector through its own employment but it is through its expenditure is ensuring that workers are being paid at a level that is then pushes the floor up – this has to be looked closely as it is not some random effect but this method becomes a strong influence, as suggested by our own experience.

Prof. K.R. Shyam Sundar added that the Minimum Wages Act does not define the minimum wages but only provides the components of minimum wages like basic wages and dearness allowance. The proposed reforms on minimum wages do not take into account the concept of minimum wages, as is being demanded by unions. Secondly, he added that the national floor-level minimum wage is an apology for the trade union's demand for national minimum wage which is the floor below which wages do not fall, so by talking of a national floor-level minimum wage, one is adding an additional layer below which one need not go; this concept is not agreeable to working class movement. Also, trade unions have been demanding a need based minimum wage since 1962 which has been rejected by the Pay Commissions stating that neither the government nor the private sector can afford it. Fourthly, enforcement is the responsibility of the labour ministry in some states while in other it is done by the rural wing of the municipality; thus there are various agencies enforcing minimum wages at varying levels; also, there is no study which looks at how enforcement takes place in the various agricultural establishments.

Dr. D. N. Reddy said that the aspirational minimum wage, as advocated by the NCEUS, is not on the agenda today and should be brought back to the popular agenda. Secondly, he said that what is being done to the floor-level minimum wage, which was referred to by Dr. Mitra, is just an apology as this wage is not enough for any worker. There about 63 industrial schedules and 8 agricultural schedules to the Act and when it comes to enforcement, in the current situation, there have been periodic revisions by various agencies but if we look at implementation there are clear differences among permanent and casual workers. Permanent workers are paid higher wages and don't face such a threat of non-payment but as permanent workers are being reduced in number and are now made to work as casual workers, they now face a constant struggle for wages. So there is constant negotiation for wages of casual and informal workers who are constantly increasing in size. Therefore when it comes to the question of a negotiated minimum wage, even in case of scheduled employments, especially for casual workers who are not recognized nor have collective bargaining, there is no point in seeing enforcement as there are no rights of workers.

In response to all the comments, the panelists gave their last responses. Dr. de Haan said that international experiences might be valuable, to think about what the minimum wage may mean. E.g. a South African study showed differential impact of minimum wage on organized and unorganized sector. Similarly a study in Costa Rica shows what happens when compliance was backed by social commitment; when it was reported in the newspaper about non-payment of the minimum wage, the national soccer team wrote about it on their jerseys. Prof. Unni said that given the state of wages, there is no alternative to organizing, not just for workers but also for alternative livelihoods. As it is ultimately an alternative to the existing situation be it for better wages or work or for better implementation of NREGA and demanding work, all of which will help the interests of workers. Mr. Mody starting with a clarification that his earlier comment on repealing the minimum wage was meant entirely on a lighter vein and that he thought minimum wages were extremely important for macroeconomic stability and sustainability. He added that he did not talk about the political connection but thanked members of the audience for bringing it up. He gave an example of a ten year long struggle on setting wages for garment workers which was won through notifications, court appeals, writs, etc but at the end of such long struggles the employer moves all the workers to the category of tailors under the Minimum Wages Act, which had not been revised since 1975, so this is the nature of political battle where government does not want to contest capital. He also added that minimum wages cannot simply be tweaked to match consumer price index but has to be adjusted to either growth rates, as in Brazil, or to value-added or other factors. He finally accepted that unions also have an important role in hand and if only 8 per cent of workers are aware of minimum wages, which is a comment on the union movement; so it is an important challenge for unionists.

Dr. Rani in her final comments said that although minimum wages is a political question, it cannot be left to the political powers alone and one has to first ask what kind of a minimum wage is being considered – if it is an aspirational minimum wage then it has to take into consideration the needs of the workers, otherwise it is not useful. She further added that be it the Act or the ILO Convention on Minimum Wages, there are a broad range of factors in place which differ across countries and there is a need for a tripartite mechanism to decide what is acceptable and what is not. Further, while India has experienced huge growth, no one is asking why the majority of the population is not moving along with this growth and if it is felt that minimum wage will add to rigidities then there is a huge problem in the way the labour market is conceived. Thus, there is a need to link empirical evidence with macroeconomic and try to see what can be done about it. Finally she concluded that countries like South Africa have had huge debates with academia and political bodies on several of these issues and the academia works together with the unions to push for these reforms; such an approach can be adopted in India where empirical evidence is carried forward to the union movements; while this does happen in India in limited circles, it has to be adopted in a more proactive manner.

PROGRAMME

THE INDIAN SOCIETY OF LABOUR ECONOMICS

57th Annual Conference

Sunday, 11th October, 2015

1400-1600	:	**Panel Discussion on Minimum Wages** (Organised by IHD under the auspices of the Research Project on Labour Market Inequality in Brazil and India (funded by IDRC, Canada)) *Venue: VC Committee Room, First Floor, VC's Secretariat*
Chairperson	:	**Professor T. C. A. Anant** Chief Statistician and Secretary, Ministry of Statistics and Programme Implementation, Government of India
Coordinators	:	**Dr. Gerry Rodgers** Visiting Professor, IHD and Former Director, International Institute of Labour Studies, Geneva **Dr. Uma Rani** International Labour Organization (ILO) Switzerland
Panelists	:	**Prof. Maria-Cristina Cacciamali and** **Prof. Alexandre de Freitas Barbosa** University of Sao Paulo, Brazil (video presentation) **Prof. Jeemol Unni** Director and Professor of Economis Institute of Rural Management Anand (IRMA)

Mr. Gautam Mody
General Secretary
New Trade Union Initiative

Dr. P. P. Mitra
Principal Labour and Employment Advisor
Ministry of Labour and Employment
Government of India

Dr. Arjan de Haan
Program Leader, Supporting Inclusive Growth
International Development Research Centre, Canada

Facilitator : **Ms. Taniya Chakrabarty**
Research Associate, IHD, New Delhi