

# Govt unlikely to grant any package for industry to pay workers' salaries

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**"The government lacks the fiscal space. It will not be feasible to give grants to the industry to take care of its wage bills," sources said.**

Lack of fiscal space will pose a big hurdle for the Centre to announce grants for industries to pay wages of employees unable to work due to the coronavirus (Covid-19) pandemic, according to multiple people in the know.

In the past few days, industry representatives have had meetings with top government officials to deliberate upon an economic package, said sources.

"The government lacks the fiscal space. It will not be feasible to give grants to the industry to take care of its wage bills," one of the two persons said.

The government has set up an empowered group of officials, led by Economic Affairs Secretary Atanu Chakraborty, to finalise recommendations on economic and welfare measures. The committee has taken inputs from the industry, said sources.

"The fiscal situation is not good, with economic growth hurting and revenues drying up. Even the fiscal deficit of state governments is high. India cannot afford to have a downgrade from rating agencies. Grants to support the wage bill look unlikely," the second person said.

The fiscal deficit of the Centre for 2019-20 (FY20) has already surpassed the Revised Estimates (RE) by 35 per cent till February 2019. The RE was higher at 3.8 per cent of gross domestic product (GDP), against the Budget Estimate of 3.3 per cent.

For the current fiscal year, the government has pegged the deficit at 3.5 per cent of GDP, whereas the fiscal consolidation road map had pegged it at 3 per cent. The government has taken the escape clause of 0.5 percentage points for both FY20 and 2020-21.

The country's sovereign ratings are at the lowest investment grade by Standard & Poor's and Fitch. Moody's assigned India a notch above the lowest investment grade.

Some countries have announced financing the wage bill of industries to avert job losses in the economy through grants. For instance, the UK announced a bailout package for businesses worth €350 billion, under which the country would be financing 80 per cent of salary of workers earning wages of up to €2,500 a month.

After informal discussions with the government, industry bodies have sought help from the government through banking channels to support the workforce. For instance, the

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Confederation of Indian Industry has asked banks to allow providing additional working capital limits, equivalent to April-June wage bill of borrowers, backed by a government guarantee, with a refinance guarantee from the Reserve Bank of India.

What has been particularly worrisome for the industry is the diktat issued by the government through a Ministry of Home Affairs (MHA) notification dated March 29, asking all employers to make payment of wages of workers 'without any deduction' and on the 'due date.' This is meant to be for the period during which establishments were under closure during the lockdown.

"Even after the government's directives, the workers are not being paid wages. The difficulty of the employers, particularly micro, small and medium enterprises and the start-ups, are completely understandable. The government should provide financial support to the industry and ensure workers are paid their dues," labour law advocate Ramapriya Gopalakrishnan said.

Before the MHA's March 29 directive, the labour and employment ministry had issued multiple advisories to the industry to not lay off or retrench workers during the lockdown and asking them to deter from deducting wages.

Notably, the MHA order, which was issued under the Disaster Management Act, says the state governments have to issue their separate orders to implement the diktat. The district magistrates and the local police are the authorities to enforce the orders.

But the companies have the right to lay off workers, under the Industrial Disputes Act, through which they can pay 50 per cent of the wage to workers for three weeks. But companies employing less than 50 workers do not have to pass on this compensation.

"The government should address the lacunae in the law. Though it has rightly exercised the power under the Disaster Management Act, it should also make suitable amendments in the Industrial Disputes Act, which is the appropriate labour law to deal with such matters, to allow the pandemic to become a reason to lay off workers," said K R Shyam Sundar, professor of human resources management, XLRI, Jamshedpur.