

# Minimum wage hike may be deferred this year

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**NEW DELHI:** The government could defer mandatory increase in minimum wages for a year in a move that could result in an annual saving of Rs.7,500 crore for the private sector as well as central and state governments, officials said.

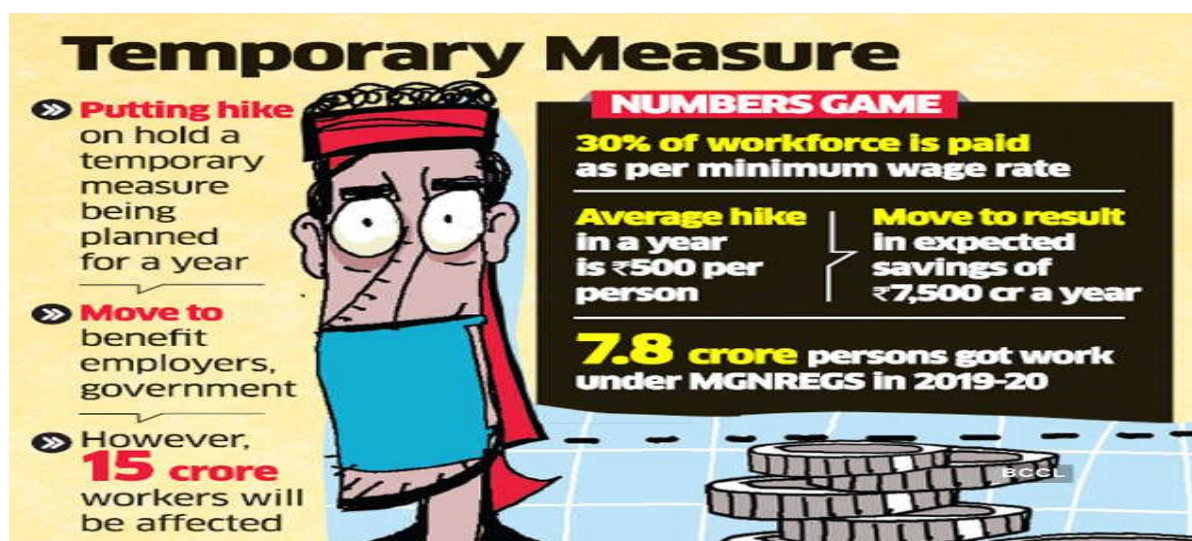
“We are evaluating the proposal... a decision would be taken soon,” a top official told ET on condition of anonymity. The move is expected to impact more than 150 million workers. As per government estimates, 30% of the country's total workforce is covered under the Minimum Wage Act.

The government raises the cost of living allowance component in the minimum wages twice a year, in April and September. The revision is indexed to the consumer price index-agricultural labour (CPI-AL) and typically the minimum wage increases 4-5% a year.

The statutory national floor rate is currently Rs.178 per day. But minimum wage varies across states, sectors, skills, regions and occupations, ranging from Rs.180 to Rs.430 per day. The revision cycle, too, differs for each state.

This year, revision due in April could not be carried out because of the nationwide lockdown to contain the Covid-19 pandemic, said the official quoted earlier. Now, the government is eyeing a deferral.

“All pros and cons are being look at,” another official said, adding that a final call will be taken by top policy makers.



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### **Pros and Cons**

There are apprehensions within one section of the government over the move being seen as anti-worker, though another section views it as one that will protect jobs.

The government cautious after labour unions strongly opposed changes to labour laws announced by BJP-ruled states of Uttar Pradesh, Madhya Pradesh and Gujarat to provide flexibility to industry in hire and fire.

The final decision has implications for state governments because if the Centre revises the minimum wage, they too will have to carry out similar revisions. Now, many states are not keen on any increase in wages as they are under severe financial stress due to a steep fall in revenues since the start of the lockdown.

Businesses across sectors have appealed against any increase in minimum wages for the time being, citing the severe impact of the Covid-19 outbreak and subsequent nationwide lockdown on the industry.

Industry has termed it as a non-cash subsidy that will not cost the government, but can provide some financial relief to employers.

“This is a unique year in which two months of lockdown has meant that there will only be 10 months of output or productivity,” said Lohit Bhatia, president of Indian Staffing Federation. “Hence, employers want the government to defer the mandatory hike for a year as it would give them some respite.”

ISF has more than one million workers under its fold who are eligible for minimum wages. Bhatia said they are being paid for the leave duration following a directive from the government.

Some sections of the industry, though, have resorted to job cuts and salary cuts to tide over the current crisis.