A Study Of Comparative analysis Of Wages

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Abstract

Minimum wage can be defined as the minimum amount of remuneration that a country’s government allows its citizens to receive. The idea of minimum wage originated after the world wars when the world’s developed countries started to emphasise on the Human Rights and the right to life with dignity. The idea minimum wages ensure to maintain a standard of living of the citizens of a country by providing them with enough remuneration to live a decent life. This research paper consists of an overview of the minimum wages act of India, United States and United Kingdom. The purpose behind this overview is to compare and analyse these acts and provisions and suggest what they can learn from each other.

**Keywords**: Minimum Wage, Workers, Minimum wages act, Remuneration.

Introduction

**Minimum wages have been defined as** “**the minimum amount of remuneration that an employer is required to pay wage earners for the work performed during a given period, which cannot be reduced by collective agreement or an individual contract**”.**[[1]](#footnote-1)**

Most countries had introduced minimum wage legislation by the end of the 20th century. Companies often try to avoid minimum wage laws by using gig workers, by moving labour to locations with lower or non-existent minimum wages, or by automating job functions, because minimum wages increase the cost of labour.

The movement for minimum wages was first motivated as a way to stop the exploitation of workers in sweatshops, by employers who were thought to have unfair bargaining power over them. Over time, minimum wages came to be seen as a way to help lower-income families. Modern national laws enforcing compulsory union membership which prescribed minimum wages for their members were first passed in New Zealand in 1894. Although minimum wage laws are now in effect in many jurisdictions, differences of opinion exist about the benefits and drawbacks of a minimum wage.

Supporters of the minimum wage say it increases the standard of living of workers, reduces poverty, reduces inequality, and boosts morale.

In contrast, opponents of the minimum wage say it increases poverty and unemployment because some low-wage workers "will be unable to find work ... [and] will be pushed into the ranks of the unemployed".

History

The origin of modern minimum wage laws can be traced from the Ordinance of Labourers (1349), which was a decree by King Edward III that set a maximum wage for labourers in medieval England. Subsequent amendments to the ordinance, such as the Statute of Labourers (1351), increased the penalties for paying a wage above the set rates. As time passed, the Justice of the Peace, who was charged with setting the maximum wage, also began to set formal minimum wages. The practice was eventually formalized with the passage of the Act Fixing a Minimum Wage in 1604 by King James I for workers in the textile industry.

It was not until the 1890s that the first modern legislative attempts to regulate minimum wages were seen in New Zealand and Australia. The movement for a minimum wage was initially focused on stopping sweatshop labour and controlling the proliferation of sweatshops in manufacturing industries.

In the early 1900s, a widespread concern about “sweatshops” began in the United States, particularly about women and children. Minimum wages were first introduced at state level and in most cases applied only to women and children. State minimum wages were regularly challenged in courts, and in 1923 the US Supreme Court declared minimum wages to be unconstitutional. But in 1938, following an initiative by President Roosevelt, the US Congress adopted the Fair Labour Standards Act, which instituted a federal minimum wage. Its constitutionality was almost immediately challenged in courts, but was eventually validated by the Supreme Court in 1941.

After the Second World War, the number of countries with minimum wages expanded. Newly independent countries such as India (1948) and Pakistan (1961) were among those adopting minimum wages.

**In recent years, minimum wage systems have been established or strengthened in many countries to address working poverty and inequality.** Many developing and emerging economies also established or strengthened minimum wages

UK

The minimum wage act currently active in UK is the National Minimum Wage Act, 1998. This act was passed on 31st July 1998. It consists of 56 Sections and 3 Schedules.

The first section entitles to workers the national minimum wage. The section 1(3) defines minimum wage as, “national minimum wage shall be such single hourly rate as the Secretary of State may from time to time prescribe.”[[2]](#footnote-2) Then Section 2 to 4 empowers the Secretary of State to determine hourly rate of remuneration and exclude, modify or add persons in relation to the act.

The Sections 5 to 8 talks about referral of matters to a low pay commission whose purpose is to determine what minimum wage should be paid according to the working hours. Section 9 to 11 obliges an employer to keep records and empowers workers to access these records and also describes punishment for employers if they deny access. It also obliges the employer to provide worker with national minimum wage statement.

Section 13 and 14 talks about appointment and powers of the officers who work for minimum wages act. The sections following, describes the duties of officers on various circumstances and enforcement of the act through filing of suit and fair hearing and penalties for non-compliance.

Then, Section 31 to 33 describes the actions that are considered offences under this act and their proceedings. Sections 34 to 40 mentions provisions for various classes of workers like those who work in armed forces, marines, workers in courts, agency workers, etc.

Section 41 and 42 provides power to apply the act to those who are not workers or those in offshore employment. Section 43 to 45 exclude certain persons such as prisoners, fishermen, volunteer, etc. to claim national minimum wage. Section 46 and 47 talks about agricultural workers and their remuneration.

The remaining sections (48-56) includes miscellaneous and supplementary topics, such as application on superior employers, expenses incurred in the act, repels and revocations, interpretation, etc.

The Schedule 1 of the act mentions membership, financial provisions, Low Pay Commissions, Staff and facilities and Proceedings of Low Pay Commission. The Schedule 2 of the act mentions amendments relating to remuneration etc of agricultural workers.

Finally, the third Schedule is titled Repels and Revocations which mentions the extent of repel and revocations that can be done to different acts, including, The Agricultural Wages Act 1948, The Agricultural Wages (Scotland) Act 1949, The Employment Tribunals Act 1996, The Employment Rights Act 1996 and The Employment Rights (Northern Ireland) Order 1996. It specifies the Sections and words that can be repealed.

This completes all the sections and schedules of the National Minimum Wage Act, 1998 of the UK.

USA

The provision for minimum wage in the United States is given in the Chapter 8 (Fair Labor Standards), Section 206 of Title 29 (named ‘Labor’) of the United States Code (USC). The USC is the codification by subject matter of the general and permanent laws of the United States. It is divided by broad subjects into 53 titles and published by the Office of the Law Revision Counsel of the U.S. House of Representatives. The U.S. Code was first published in 1926.

The subsection ‘a’ paragraph ‘1’ of section 206 obliges an employer to pay as follows-

$5.85 an hour, beginning on the 60th day after May 25, 2007;

$6.55 an hour, beginning 12 months after that 60th day; and

$7.25 an hour, beginning 24 months after that 60th day

The second paragraph talk about regulation of minimum wages in nearby islands and the third and fourth sub clause talks about paying to the workers working on the American vessel and to the employees of agricultural sector according to the hourly payment rate mentioned in paragraph ‘1.’

The subsection ‘b’ talks about ‘additional applicability to employees pursuant to subsequent amendatory provisions.’ Then, the subsection ‘d’ prohibits discrimination on the basis of sex and establishes the principle of equal pay for equal work. It also restricts any labour organization and its agents to discriminate on sex. It also allows such amount which is withheld on the grounds of this clause to be deemed as unpaid minimum wages.

The subsection ‘e’ talks about the remuneration of those employees who are working under the employer, who have any contract with the US government, to be done as per paragraph ‘1’ of subsection ‘a.’ The subsection ‘f’ includes the remuneration of domestic household workers and the subsection ‘g’ talks about the rate of remuneration of the employees who are newly hired.

Then, Section 215 of Title 29 makes it unlawful for a person to violate the provisions of Section 206 and Section 216 imposes penalties including fines and imprisonment on the violation of provisions of Section 206.

India

The Minimum Wages Act, 1948 was enacted on 15th March 1948 by the Indian Legislature to deal with matters relating to providing the minimum wage to the workers so that they can afford their basic needs and maintain a decent standard of livelihood. This Act consists of 31 Sections.

The Section 1 of this Act lays down that it is applicable to the whole of India. However, it does not apply to any employees in any undertaking owned by the Central Government or of the federal railway, except with the consent of the Central Government. Here are some essential provisions of the Act.

The Section 3 of the Act empowers the appropriate government to fix minimum wages which are to be revised I every 5 years. Section 4 of the Act states that the minimum wages fixed by the appropriate government must consist of a basic rate of wages and special allowance to match the cost of living of the employees and the cost-of-living allowance and the cash value of the concessions in respect of supplies of essential commodities. Section 5 empowers appropriate government to establish as many committees and subcommittees necessary to hold enquiries in matters regarding fixing and revision of minimum wage and under Section 7 the appropriate government must appoint advisory boards for coordinating the work of the committees and subcommittees mentioned in Section 5.

Section 9 of the Act states that the members of committees, sub-committees, and Advisory Boards shall be appointed by the appropriate government. Section 11 of the Act mentions how the wages will be payable to the employees; it must be paid in cash and the appropriate government must authorize the payment of minimum wages wholly or partly and also authorize a provision for supply of essential commodities at concession rates through notification to the Official Gazette; with the cash value of wages and concession rate to be authorized as per the method prescribed in the Act.

Section 12 states that the employer shall pay the minimum rate of wages to every employee working under him within such time and manner prescribed under the Act. Section 13 specifies that the appropriate government may fix the working hours of normal days with intervals and should provide a day of rest in between the period of seven days. Section 18 makes every employer liable to maintain records relating to number of employees working under him, work done by them, wages paid to them and other relevant employees.

Section 20 empowers the appropriate government to appoint any Commissioner for Workmen’s Compensation or any officer of the Central Government exercising functions as a Labour Commissioner for any region to hear and decide cases about matters relating to non-payment or payment of less than the minimum wages to the employees. It also has some other provisions such as Audi alteram partum and the appointed authority is given power of civil court under Civil Code of Procedure, 1908.

Section 22 penalizes any employer who fails to provide minimum wages or fails to adhere any rule or order made under Section 13 of this Act. Section 29 of the Minimum Wages Act, 1948 authorizes the Central Government to make rules by notification to the Official Gazette in matters relating to the term of office of the members, the manner of voting, and the mode of conducting business by the Central Advisory Board, and other relevant matters. Section 30 of the Act also authorizes the state government to make rules by notification to the Official Gazette for carrying out the purposes of this Act.

Other than these provisions, the act also has provisions regarding composition of committees, overtime, wages for different classes of workers, etc.

Comparative Analysis

Let’s start with the comparison of the current national minimum wage of the three countries. The minimum wages of the three countries are:

UK- 9.18 Pound Sterling an hour

US- $7.25 per hour

India- INR 178 (US$2.16) per day; t**his number is a floor-level wage – and the wage rate will vary depending on geographical areas and other criteria.**

Now, starting with the size, the UK act is the vastest among these three with 56 Sections and 3 Schedules, followed by Indian act with 31 Sections. The US law for Minimum wage does not have an established act but is given under the Sections of the United States Code.

The Indian minimum wages act matches with that of UK, as India was under the colonial rule, both of them talks about establishment of committees for the purpose of minimum wages, creation of advisory bodies, appointment of officers, duty of employers to keep records, description of certain offences and penalties for them. The US law for minimum wage is not as descriptive as that of India and UK, it only considers regulation of minimum wage, prohibition of discrimination, prohibited activities, penalties and methods of proceedings.

Like India, the US also allows states, counties, sub-national authorities and cities to set their own minimum wage rates, as long as they are equal to or above the national minimum wage set. This feature is not present in the minimum wage act of UK.

The minimum wage act of UK and minimum wage law of US, both have a provision of classification of different minimum wage for different age groups. The Indian minimum wage act does not have this provision.

Other than their similarities, the three acts also have their own unique provisions which are absent in others. The UK minimum wage act includes a section where it differentiates special classes of person which includes those who work in armed forces or under crown or house of lords. It also has certain exclusions such as, share fisherman, volunteers, prisoners and religious workers. It also has special provisions for agricultural workers and has some miscellaneous and supplementary provisions. It also consists of schedules which contains provisions regarding membership of its low pay commission, amendments relating to remuneration of agricultural workers and about repels and revocations.

The US law for minimum wage has a subsection for prohibition of sex discrimination which is absent in the act of India and UK. It also includes a subsection for those who are employed in domestic services in households.

The Indian minimum wages act has a separate section for overtime where, the employer is supposed to pay to the employee, for every extra hour or part of hour that he had worked for. The Indian act also grants more freedom to all the states to conveniently manage its minimum wage laws than that of US.

So, we have seen the similarities, differences and the uniqueness of the minimum wage laws of all the three countries.

Suggestions

I would like to give the following suggestions after analyzing the law of the three countries:

The Indian and UK minimum wage act should also include provision for prohibition of sex discrimination.

The US minimum wage law must include various missing factors that are available in the UK and Indian act.

India must also include provisions regarding workers in the army, courts, and those who are working under any government contract.

The countries must check for corruption and increase strictness as poor labours are still getting exploited by their employers.

Conclusion

The minimum wage is a very old concept which is important for protecting the interest of the labours and saving them from exploitation. This concept has evolved a lot over time before getting accepted by the ILO (International Labour Organisation) and getting known as what it is now. Earlier, exploitation of workers was prevalent in society and they were treated like commodities but, now they are given freedom and a life of dignity.

Many countries have accepted the minimum wage laws to safeguard the interest of the labours and giving them a standard of living. Through this research, we have seen a comparison of some of these countries. There are various similarities and differences between the way these countries have adopted the minimum wages laws. These countries can learn a lot from each other’s methods.

1. ILO: General Survey concerning the Minimum Wage Fixing Convention, 1970 (No. 131), and the Minimum Wage Fixing Recommendation, 1970 (No. 135), Committee of Experts on the Application of Conventions and Recommendations, 2014. [↑](#footnote-ref-1)
2. National Minimum Wages Act, 1998, S 1(3), No. 39, UK Public General Acts, 1998 (UK) [↑](#footnote-ref-2)