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A STUDY ON MINIMUM WAGE AND ITS RELEVANCE IN PHARMACEUTICAL INDUSTRY

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Abstract:

Objective: The Main objective of this study is to emphasize that pharmaceutical industry is to be covered under scheduled employment in order to ensure the employees get statutory minimum wage.

Method: Field survey research was conducted around 500 employees in pharmaceutical industries located in and around Chennai, in Tamil Nadu state in India. Employees in pharmaceutical industry expect that the industry be covered in scheduled employment and they get statutory minimum wage like other industry in their locality.

Result: The research finding shows that in an industrial area where mix of industries like automobile, fabrication, general engineering industries are located employees working in other industries get statutory minimum wage because their industry is covered under schedule employment whereas, being in the same industrial region, employees working in pharmaceutical industries are not paid equal wage like others. The industry needs to be covered in scheduled employment.

Key Words: Minimum Wage, Pharmaceutical industry, Scheduled Employment.

1. Introduction:

The history of wage fixation can be traced back from year 1349, where King Edward III of England, a wealthy landlord, who entirely dependent on agricultural labours to work on land, issued a decree to fix maximum wage for labours. In 1348, during autumn season when plague broke out and the population was devastated, there was acute shortage of labour, which caused wages to soar high, which forced King Edward to set wage ceiling. In 1389 an amendment was made to the law of labourers in fixing the wage based on price of food commodities. As the time passed, the justice was

charged with fixing of minimum wage. This practice of fixing minimum wage eventually formalized with passing an act in 1604 for fixing minimum wage for the textile industry workers by King James I.

During early 19th century, the then existing labour laws were replaced by increasing capitalistic. England followed the system of *laissez-faire*, which broke the regulations of wages. Subsequently, there was a labour unrest in 19th century which affected many industrial nations. As trade unions were legalized during the century, attempts to control wages through collective agreement were made. However, this meant that a uniform minimum wage was not possible.

In *Principles of Political Economy* in 1848, John Stuart Mill argued that because of the collective action problems that workers faced in organisation, it was a justified departure from *laissez-faire* policies to regulate people's wages and hours by law. In India, Article 43 of the Indian Constitution provides basis for need for The Minimum Wages Act, 1948. Article 43 of the constitution states that, "The State shall endeavour to secure by suitable legislation or economic organisation or in any other way to all workers, agricultural, industrial or otherwise, work, a living wage conditions of work ensuring a decent standard of life and full enjoyment of leisure and social and cultural opportunities".

2. Objective of the Study

The main objective of the study is to highlight implications of minimum wage including the pharmaceutical industry. Since minimum wage differs from state to state, the study is limited to the state of Tamil Nadu only.

3. Scope of the Study

Scope of this study is confined to, classification of wage, method of fixing minimum wage, notable events in fixing minimum wage in India, scheduled employment, effects of minimum wage and effect of non-implication of minimum wage in pharmaceutical industry.

3.1 Classification of Wage:

- a. "Minimum wage" is such a wage that it not only guarantees bare subsistence and preserves efficiency but also provides for education, medical requirements and some basic level of comfort.
- b. "Living wage" that is the level of income for a worker which will ensure a basic standard of living including good health, dignity, comfort, education and provide for any contingency.
- c. "Fair wage" is that level of wage that not just maintains a level of employment, but seeks to increase it keeping in perspective the industry's capacity to pay.

3.2 Fixing of minimum wage:

According to Section 5 of the Minimum Wages Act, 1948, there are two methods of fixing and/or revising minimum wages

- a. Committee Method: Committees and Sub-committees are set up to make recommendations of minimum wage
- b. Notification Method: Considering the consumer price index, the government publishes Basic Wage Dearness Allowance for each scheduled employment in its Official Gazette every year in the month of March.

Employment of labours is divided in to two categories namely, Scheduled and unscheduled employment. In the state of Tamil Nadu 72 industries are notified as scheduled employment. Wage boards are formed by the government mainly for the scheduled employment. Wage boards are set up by the appropriate government to review the industry's capacity to pay and fix minimum wage.

Minimum wage rate is revised based on "Consumer Price Index", the minimum wage rate can be revised for the entire state or part of the state, class or classes and employment pertaining to these categories. The minimum wage must cover family consisting of four members requirement of food, shelter, clothing, basic education medical assistance and minimal entertainment. Under the minimum wage act, the wage rate in scheduled employment differs between states, sectors and regions within the state, different skill levels among the same occupation. Therefore, there is no uniform minimum wage across the country. Unfortunately industries under unscheduled employment constitutes more than 50% for which there is no statute like minimum wage but National Floor Level minimum Wage is applied for those unscheduled employment.

3.3 Notable events in fixing of minimum wage in India:

In 1920, Mr. Choudhary recommended setting up boards for determining minimum wages for each industry.

In 1928, System for fixing of wage for different trade was implemented by International Labour Conference but, the practice was not put into legislation in India. In 1943, on the recommendations of ILC, Standing Labour Committee was appointed to look into conditions of labour in terms of their wages, housing, social conditions, and employment. In 1946, on the recommendations of Standing Labour Committee, A bill on minimum wages was introduced in Central Legislative Assembly. The committee also recommended that a separate legislation on working hours, minimum wages and paid holidays of unorganized sector be enacted. In 1947, the government organized a conference which was attended

by representatives of labour, employers, and government attended. In the conference, it was decided that the Minimum Wages should be such that it should not only provide for subsistence but should also be enough for education, medical requirements and other amenities and should sustain efficiency of the labour. In 1948, The Minimum Wages Act was passed in the parliament and was effective from 15 March 1948. Under the act a "The Tripartite Committee of Fair Wage" was appointed that set guidelines for formulating a wage structure in India. The Committee has recommended that, "The minimum wages must be provided not merely for the bare subsistence of life but also for the preservation of efficiency of the workers by providing for some measures of education, medical requirement and amenities".

In 1957, the 15th Labour Conference was conducted and the ILC recommended some need-based norms for fixation of minimum wages. The recommendations were:

- The cost of three consumption units- husband, wife and two children for one earner. Income from women and children should be ignored
- Satisfy the minimum food requirement of 2700 calories per person
- Clothing requirement of 72 yards for a family annually
- Rent of the minimum area as specified by Government's Industrial Housing Scheme
- 20% of minimum wage should be the cost of fuel and miscellaneous items of expenditure

In 1988, concept of Variable Dearness Allowance was recommended in Labour Minister's Conference to safeguard wages against inflation, which became effective in 1991. The VDA is fixed twice in a year i.e. Apr & Oct each year.

In 1991, in a landmark judgement in M/s. Reptakos & Co case, the Hon'ble Supreme court has specified that 25% of the minimum wages should also account for Children's education, medical expenses, recreation in festivals/ceremonies and provision for old age and marriage. National Commission on Rural Labour (NCRL) recommended the government to introduce a national minimum wage floor level for uniformity.

In 1996, as per recommendations of NCRL, government has fixed the national floor level minimum wage for the uniformity and to cover the industries which are not covered under minimum wages act.

3.4 Scheduled Employment:

According to Tamil Nadu Government Order, there are around 72 employment recognized as "Scheduled Employment" and every year minimum wage is announced in gazette for only these 72 industries.

3.5 Pharmaceutical industry:

Indian pharmaceutical industry ranks among the top five countries by production volume and it accounts for about 10% of global production. Turnover of the industry has grown about 21.73US\$ in year 2010 as compared to 0.3US\$ in 1980. Availability of labour at cheaper rate and innovation are the main factors for the growth of the industry. According to department of pharmaceutical report, the industry employs more than 340,000 employees, 400,000 doctors, 300,000 chemists and more than 10,000 manufacturers. Unfortunately major industries like pharmaceutical are not covered under minimum wages and the employees employed in pharmaceutical are listed under unscheduled employment and not covered by the minimum wages act.

4. Findings

The researcher had made detailed survey in pharmaceutical industry and the findings were: There are around 8200 formulation and bulk drug manufacturing companies are functioning wherein more than 1 million people are employed directly and indirectly in India. In Tamil Nadu alone more than 570 pharmaceutical manufacturing industries are functioning, employing more than 100,000 employees. Despite huge employment, pharmaceutical industry is not covered under scheduled employment, therefore, minimum wage act, 1948 is not applicable to pharmaceutical industry, therefore, the employees are paid very low i.e. national floor level wage. Many of the pharmaceutical industries located within industrial area where other industries like auto ancillary, fabrication, and electronic industries are located. Employees working in other industries in the same region are getting higher minimum wage because they are covered under scheduled industries but employees working in pharmaceutical industries are not paid because the industry is not covered under scheduled employment. Some of the pharmaceutical industry is hazardous in nature, yet government has not made any effort to include it in scheduled industry.

5. Conclusion

Indian pharmaceutical industries ranks among top 5 countries by production volume but the industry is ignored. Most of the pharmaceutical industry is highly hazardous, yet the industry is not included in the schedule employment. Employees working in other industries within the region get higher minimum wage but the pharmaceutical employees are overlooked. The government should come forward to include the pharmaceutical industry in scheduled employment and ensure the employees are paid equal minimum wage like other industries.

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Table No. 1. State wise number of pharmaceutical manufacturing units in India.

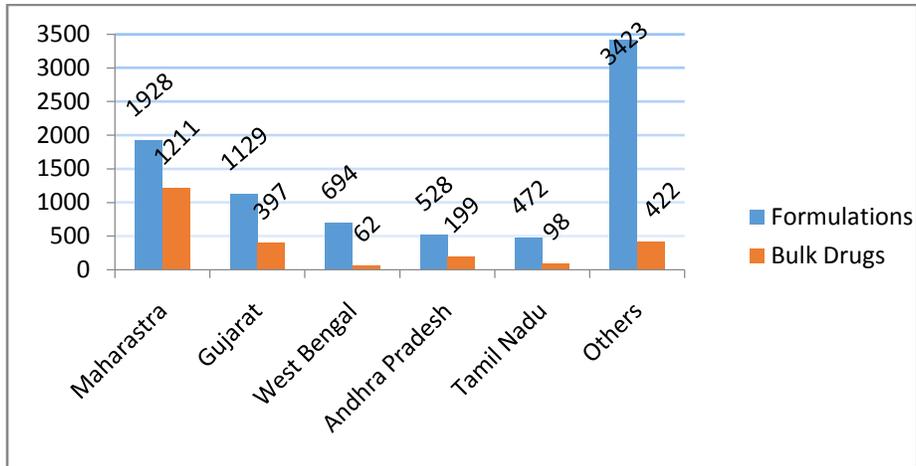
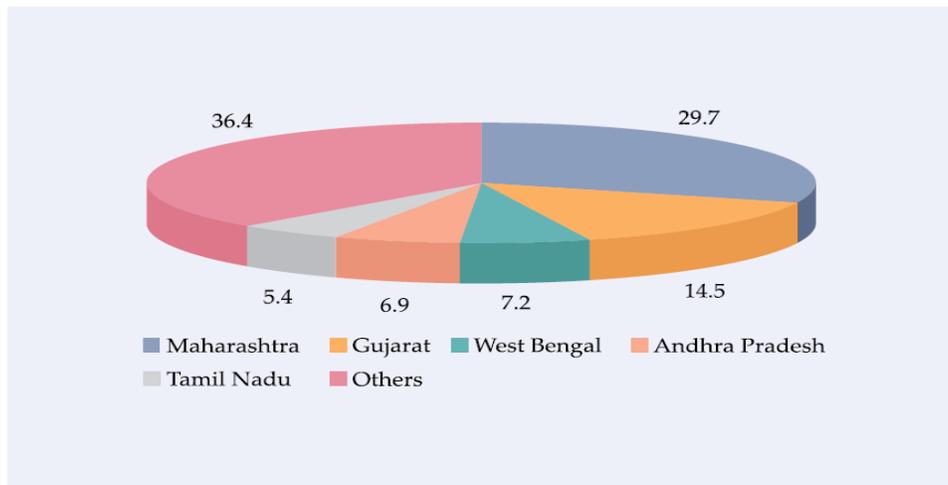
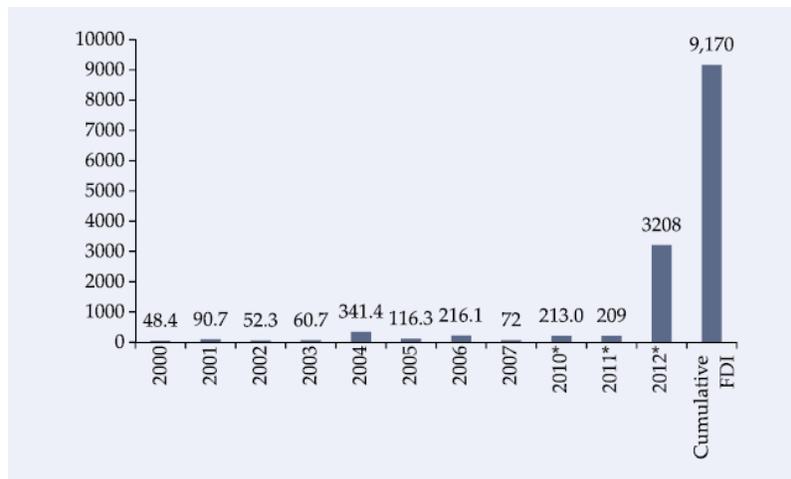


Table No. 2: Concentration of Pharmaceutical industry in India:

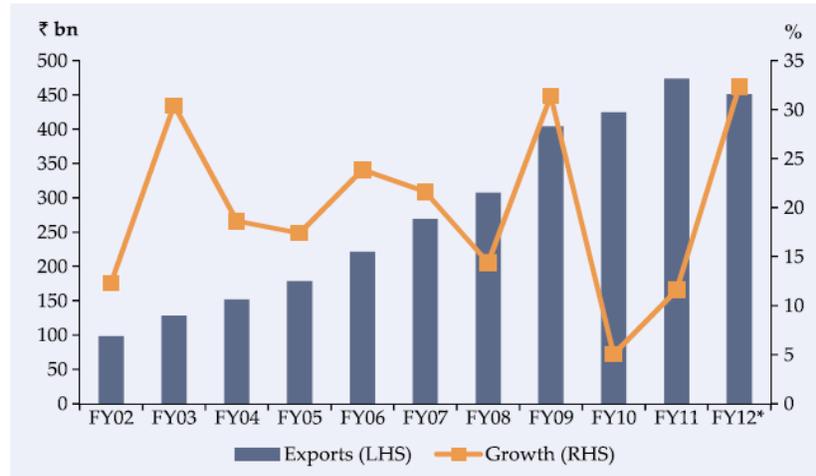


Source: Department of Pharmaceuticals, Govt

Table No. 3: Foreign Direct Investment in Pharmaceutical Industry (in US\$, mn)



*Fiscal year; Cumulative: April 2000 to January 2012
Source: Ministry of Commerce & Industry

Table No. 4: Export of Drugs and Pharmaceutical from India:-

*Up to Dec 11

Source: Directorate General of Commercial Intelligence and Statistics (DGCIS) Kolkata

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