

# Living Wage Augurs Well for Contractual Staff

India Inc should brace for surge in labour costs once the new wage policy comes into play next year with assistance from ILO

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**ET Intelligence Group:** As India plans to replace minimum wage with living wages by next year with assistance from the International Labour Organisation (ILO), companies should brace themselves for a surge in their labour costs—especially related to their workers and contractual employees.

Living wage tends to be more than the minimum wage as it is the necessary level to afford a decent standard of living.

The business responsibility and sustainability reporting (BRSR) data sourced from Prime Database regarding more than 1,000 top listed companies show that it is the non-permanent workers that are least likely to get paid anything above the minimum wages right now.

In FY23, these 1,062 companies together employed nearly three million non-permanent workers and employees. While 832, or 78%, companies paid all their permanent

## Labour vs Wages

CUMULATIVE BREAKUP OF INDIA INC'S WORKFORCE (in millions)

Total No.	Permanent Employees	Non-Permanent Employees	Permanent Workers	Non-Permanent Workers	Total
FY23	5.8	0.6	1.5	2.7	10.6
FY22	5.3	0.5	1.5	2.3	9.6

PROPORTION OF COS PAYING MORE THAN MINIMUM WAGES

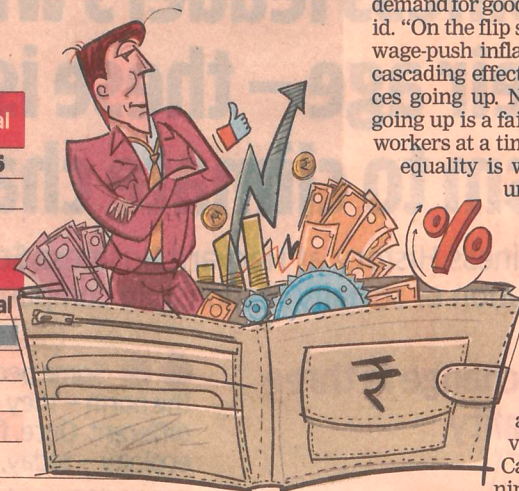
	FY23		FY22	
	No. of cos	% of total	No. of cos	% of total
Permanent Employees	832	78.3	795	74.9
Non-permanent Employees	446	42.0	361	34.0
Permanent Workers	488	46.0	214	20.2
Non-permanent Workers	208	19.6	99	9.3

Sourced from BRSR data of 1062 companies by primeinfobase.com

employees (white-collar employees) remuneration that was above minimum wages, the proportion of such companies dropped to 46% and 42% when it came to paying more than minimum wages to all permanent workers (factory workers) and non-

permanent employees, respectively. Only 208, or 20%, companies paid all their non-permanent workers more than the minimum wages.

"It remains to be seen if it becomes mandatory for companies to pay living wages and even if it does beco-



demand for goods will surge," he said. "On the flip side, it will result in wage-push inflation, resulting in a cascading effect on the overall prices going up. Nevertheless, wages going up is a fair compensation for workers at a time when income inequality is widening in the country."

Incidentally, beginning this month, several countries have increased their minimum wages to protect the workforce against inflation.

The UK has increased its national living wage by 9.8%. Canada's federal minimum wages have in-

creased 3.9%. Belgium increased minimum wage from April 1, surpassing €2,000 per month. Last week, Sri Lanka's cabinet approved a 40% hike in the country's minimum wages. Fast food workers in California are witnessing an increase in

their minimum wages from this month.

There are exceptions as well. In Italy, the ruling right-wing parties in December scuttled an attempt by the opposition to introduce a minimum wage, which would have brought the country at par with a majority of EU countries.

"When the business is doing well, companies don't mind paying more. But, when the economic cycle turns, the companies would rather cut down the contractual workforce instead of paying them more," chief economist of a Mumbai-based business group said on condition of anonymity.

"It is always a trade-off. In the short term, the rollout of the living wage will bring more money in the hands of the working class. But in the medium term, MSMEs and SMEs will struggle to pay the higher labour cost. This will become yet another case of indirect formalisation of economic activities," he said. It remains to be seen if and how gig workers benefit from living wages.